

# National culture influences on knowledge transfer within MNC

A case analysis of Old Mutual Group

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**Supervisor**

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

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## Abstract

### **Master's thesis in Business Administration, specialisation International Management and Strategy**

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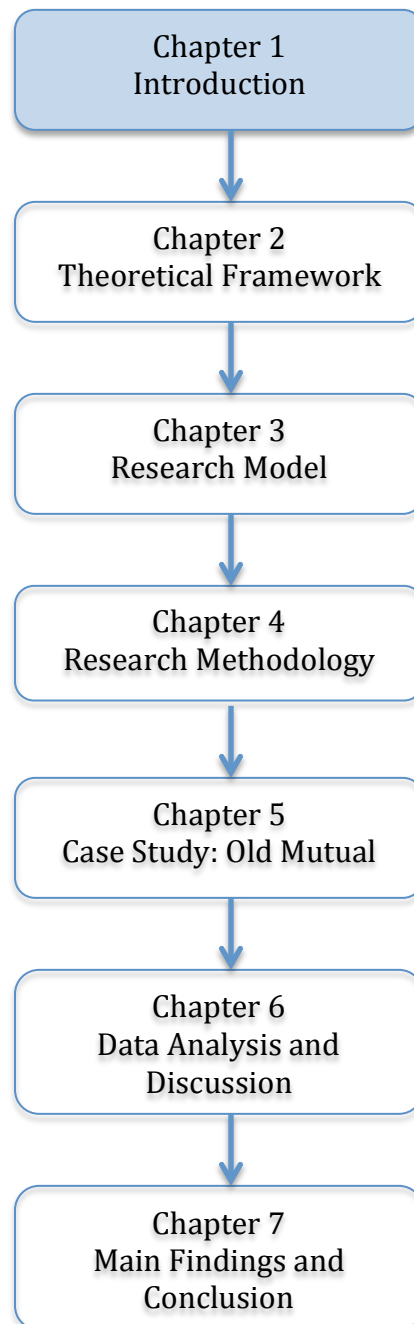
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The purpose of this master thesis is to explore national culture influence on knowledge transfer practices in MNC, the case study for my thesis is Old Mutual Group – savings, banking, insurance and asset management MNC. In my thesis I made an attempt to review literature on international strategic management that seeks to examine knowledge and knowledge transfer and specifically influence of national culture on practices of knowledge sharing.

Theoretical investigation is built on resource-based view; tacit, explicit knowledge and knowledge transfer concepts are argued; moreover, discussion of models of cultural impacts on knowledge sharing is a foundation of the research model for my investigation. Qualitative research was employed; data collection was based on public documents and personnel interviews available on Old Mutual Group website. I assumed in my research model that such factors as nature of knowledge (tacit, explicit) and cultural dimensions (power distance and individualist/collectivist dimensions) are important issues in a success of knowledge sharing practices.

The findings indicate that national culture has influences on the efficiency of transfer process and also indicate how Old Mutual Group handle it and what activities are done for better practices of knowledge transfer.



## 1. Introduction

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This chapter introduces to the thesis by describing the background for the research, problem definition, goals of the study and structure of the thesis, also definition of the key concepts will be presented. Also outline of the thesis is described.

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### 1.1. Background

A lot of the significant current discussions both in business world and academic world have been concentrated on knowledge and knowledge transfer, that can be both source of comparative advantage and source of challenges for modern organizations, especially global corporations.

Nowadays, MNCs subsidiaries are not only recipients of knowledge from home offices, but also main generators of knowledge (Lucas, 2006).

According to Nonaka (1991) knowledge is *"the one sure source of lasting competitive advantage is knowledge"* (1991:96). Similarly, guru of management, Peter Drucker claims that *"knowledge has become the key economic and the dominant – and perhaps even the only – source of comparative advantage"* (Drucker, 1995 in Ruggles, 1998:80). Bresman et al. (2010) present interesting argument why knowledge became so important resource in modern organizations *"we have gone from an industrial age in which the most important resource was capital, into an age in which the most critical resource is knowledge"* (Bresman et al., 2010:5).

Several attempts have been made to develop definition of knowledge in business context. Knowledge can be defined as *"expertise or skill acquired through education and experience"* (Chawla, 2011:266).

Interestingly, Japanese companies were probably the first one to understand the importance of knowledge management to achieve competitive advantage, these companies are famous for its quick respond to customers, creating new markets, develop new products



and use new technologies. Making personal knowledge available to others in organization is the key process of knowledge management, this process should be continuous and on all organization's levels (Nonaka, 1991).

The concept of culture can be found in number of researches and articles about knowledge management and knowledge transfer, usually culture is mentioned in terms of "knowledge culture", "knowledge-sharing culture", but also "organizational culture" and "national culture" are mentioned (King, 2007). The definition of organizational culture in knowledge management context sounds following way "*way of organizational life that... enables and motivates people to create, share, and utilize knowledge for the benefit and enduring success of the organization*" (Oliver, 2006:8). Ruggles (1998) refers to the research about 431 organizations in Europe and US made by Ernst and Young that found out that "*current biggest impediment to knowledge transfer is culture*" (Ruggles, 1998:88).

My study builds on this line of thinking that effective cross-border transfer of knowledge is becoming more and more critical issue mainly because of intensification of MNCs (Bhagat, et al., 2002).

As it was mentioned above in strategic management academic works knowledge management and knowledge transfer became important topic last decades. Also many research studies have been done, however there are limited amount of studies that focused on culture as factor that can both facilitate knowledge transfer and also be a barrier for knowledge transfer. The research to date has tended to focus on knowledge transfer forms rather than role of culture in this process.

## **1.2. Problem definition**

The main goal of my thesis is to make an attempt to review knowledge transfer key definitions and concepts, analyze theoretical models of knowledge transfer, discuss specifically on factors that stimulate knowledge transfer and barriers for knowledge

transfer between subsidiaries, specifically in my thesis I would like to focus on role that has national culture and its specific dimensions for knowledge transfer.

Consequently, research question of my thesis can be formulated in following way "*what influence has national culture on knowledge transfer between subsidiaries*".

### 1.3. Research strategy

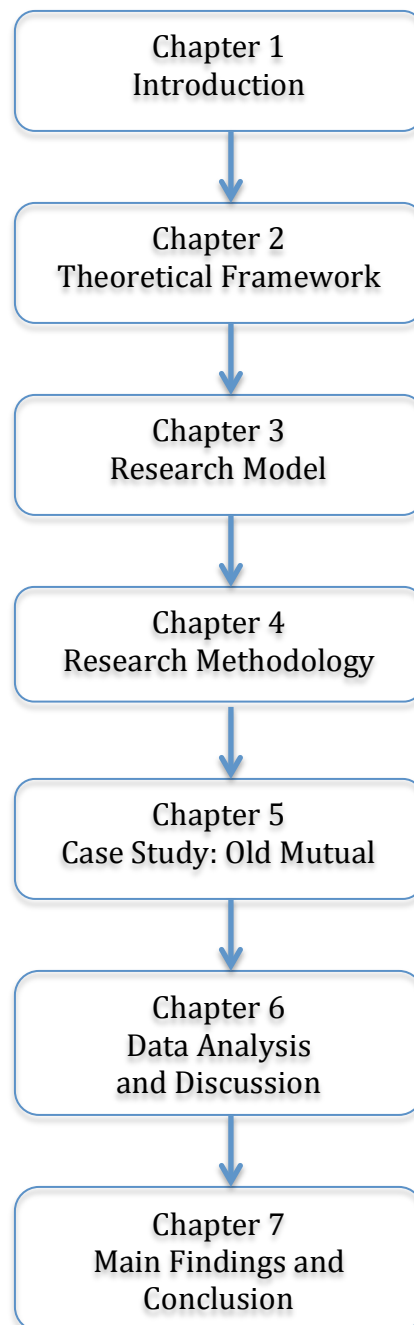
Research question in my master thesis is "what" so qualitative methods are more efficient for such research. I will use case study as a research strategy and would like to investigate knowledge transfer practices and how national culture influence knowledge transfer in financial multinational corporation Old Mutual Group that has long history of being global company, and consequently long history of knowledge transfer between its subsidiaries, that also has acquired with Skandia International, another financial group that has long history of working worldwide and started to include Intellectual Capital Supplement to its annual reports. Skandia, that is part of Old Mutual Group since 2006, was one of the first companies that hired the Chief Knowledge Officer in middle of 1990s, or in other words understood the power of knowledge for organization in modern world..

The focus of the thesis is to look on process of knowledge transfer in Old Mutual Group and role of culture in this process.

For my analysis I will use information that is available publicly, that includes different documents: press releases, annual reports, news archives and also interviews (available publicly) with employees from different subsidiaries of Old Mutual will be base for my analysis. Publications in academic journals, published by Director of Intellectual Capital in Skandia also will be base for my analysis.

#### 1.4. Outline of study

In order to present the overall of thesis's structure, I decided to present it in a form of chart from the introduction (first chapter) to the conclusion (chapter 7).



**Figure 1. Outline of the thesis**

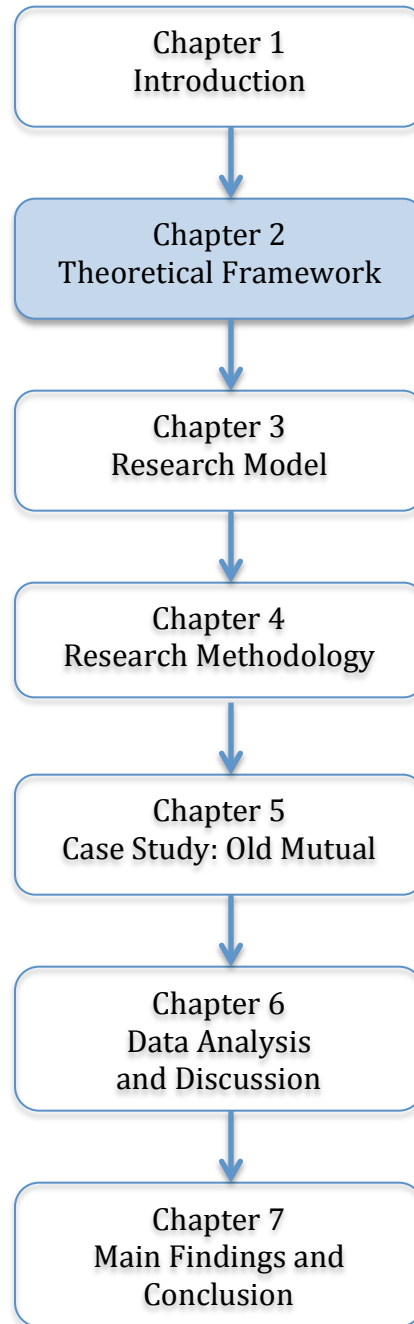
To be able to answer the research question of my thesis I will start with research of existing theoretical frameworks focused on knowledge transfer (Chapter 1), culture as a factor facilitating knowledge transfer or barrier, and after theoretical part and designing research model I will analysis case of Old Mutual Group and discuss correlation between theoretical models and Old Mutual model. The theoretical framework chapter will give basis theory to develop research model that I will use to analyze case study of Old Mutual Group.

Methodology part of my thesis (Chapter 2) will include methods I will use to analyze data, and my reasoning for choice of methods choice; also I would like to describe methodological paradigm research methods based on.

In Chapter 3 I will describe case study of Old Mutual Group where general information and history about this MNC will be included, as well as background information about market of Old Mutual and its business units are presented and main focus will be on knowledge transfer implementation and follow-up activities.

Chapter 4 will include analyzing and discussion of the data with help of research model from Chapter 2.

The following Chapter 5 will include findings and result of the analysis from previous chapter.



## 2. Theoretical framework

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This chapter provides theoretical framework of references related to the subject studied – national culture influence on knowledge transfer - which are used throughout this thesis. The theories derived from literature reviews. Chapter begins with presenting of Barney's resource-based view on the firm and defining role of knowledge, as firm's resource, in maintaining sustainable competitive position.

Definition of knowledge and knowledge transfer will be given and significant theories about knowledge transfer will be presented in this part of the thesis. As a result for this chapter, research model will be suggested and presented in Chapter 3.

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### 1.1. Resource-based view on the firm

Knowledge is one of the most important firm's resources, so before discussing knowledge and knowledge transfer concepts I would like to discuss Barney's (1991) framework -firm's resources and sustained competitive advantage. It is well known, that resource-based view of the firm is possibly the most influential framework for understanding strategic management generally and knowledge transfer specifically (Barney et al., 2001). Moreover, Barney et al. (2011) claim that resource-based theory (RBT) after twenty years of existence is "*widely acknowledged as one of the most prominent and powerful theories for describing, explaining, and predicting organizational relationships*" (Barney et al., 2011:1300). Also I would like to discuss relationship between knowledge transfer and resource-based view on the firm.

The main suggestion of Barney's framework is that "*firm obtain sustained competitive advantage by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses*" (Barney, 1991:99). Thus, according to Barney the main attribute of the firm is its resources. Firm's resources should be viewed as bunch of tangible and intangible assets, including management skills, organizational processes and routines and

information. (Barney, 1991; Barney et al., 2001). Further, he names knowledge, that is controlled by a firm as one of the firms resource that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991).

Moreover, numerous firms' resources were classified by Barney (1991) into three groups: physical capital resources (Williamson, 1975 in Barney, 1991), human capital resources (Becker, 1964 in Barney, 1991) and organizational capital resources (Tomer, 1964 in Barney, 1991). Knowledge, that firm possess, present one of the valuable organizational capital resource of the firm.

Firm's resources have a potential for sustained competitive advantage. Sustained competitive advantage, according to Barney (1991) is *"implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy"* (Barney, 1991: 102). Consequently, firms resources that give potential to sustained competitive advantage possess some characteristics, these characteristics are:

- 1) Resources must be valuable, so that it exploit opportunities and neutralizes threats for the firm;
  - 2) Resources must rare, so that firms current and potential competitors do not have such resources;
  - 3) Resources must be imperfectly imitable;
  - 4) There cannot be strategically equivalent substitutes for this resource that are valuable, but neither rare nor imperfectly imitable.
- (Barney, 1991).

In next subchapters of my thesis I would like to give more coherent discussion of each firm's resource attributes (1.1.1.-1.1.4.).

### 1.1.1. Valuable Resources

In order to generate sustainable competitive advantage firm's resources should be valuable. Barney (1991) argue that only if firm's resources are valuable then they can be source of sustained competitive advantage. Moreover, Barney (1991) claim that resources can be viewed as valuable when they facilitate a firm to implement strategies that help to get success in its operations, in other words implementing value-creating strategy. For instance, knowledge can be such valuable resource for the firm in form of know-how or other unique practical knowledge about how things are produced, or any other type of intellectual knowledge can be firm's valuable resource. So, technical knowledge can be valuable resource for the firm (in form of know-how for example), as well as organizational knowledge – for instance – organizational culture maintenance procedures or efficient HR can be valuable resource for the firm.

### 1.1.2. Rare Resources

According to Barney's resource-based firm's view resources of the firm in addition to be valuable should be rare. This condition should hold in order for firm to generate sustained competitive advantage. However, Barney does not give clear definition of "rare resource" and point out that it is a difficult question to define how rare valuable firm resource should be. Generally, the number of competing firms that possess valuable resource or bundle of resources should be less than the number of firms needed to generate perfect competition (Barney, 1991).

### 1.1.3. Imperfectly Imitable Resources

Firm's resources should be not only valuable and rare, but also imperfectly imitable, because valuable and rare organizational resources can only be sources of sustained competitive advantage if other firms that do not have such resources and cannot obtain them. There are three reasons why resources can be imperfectly imitable:

- a) *"Unique historical conditions"* is cause of the firm to possess the resource. When we think about unique historical conditions in knowledge as resource context that can



be one of the important reason, for example know-how or unique knowledge about production of some product can give firm advantage if its not-imitable.

- b) The link between resource and sustained competitive advantage is “causally ambiguous”. In other words, connection between firm’s resources and competitive advantage is not clearly understood, so for competitors it is difficult to understand what resource they have to imitate. So, to sum up, some resources of the firm is so complex, interdependent and implicit and are taken for granted and probably were never subject of explicit analysis (Barney, 1991).
- c) *“The resource generating a firm’s advantage is socially complex”* (Dierickx and Cool, 1989 in Barney, 1991:107). By “socially complex” means primarily firm’s reputation among supplier or/and customers, interpersonal relations among managers. Systematic changes of organizational culture and introducing certain attributes to organizational culture can be positive for firm’s efficiency.

The imperfectly imitable nature of knowledge, together with other three qualities (valuable, rare and non-substitutable) guarantees that firm that hold knowledge can achieve sustained competitive advantage by preventing competitors from copying firm’s knowledge without significant efforts. Specifically, if knowledge as one of the firm’s important resource is imperfectly imitable in this way, then we can notice that that can create some difficulties in knowledge transfer (Qin et. al, 2011).

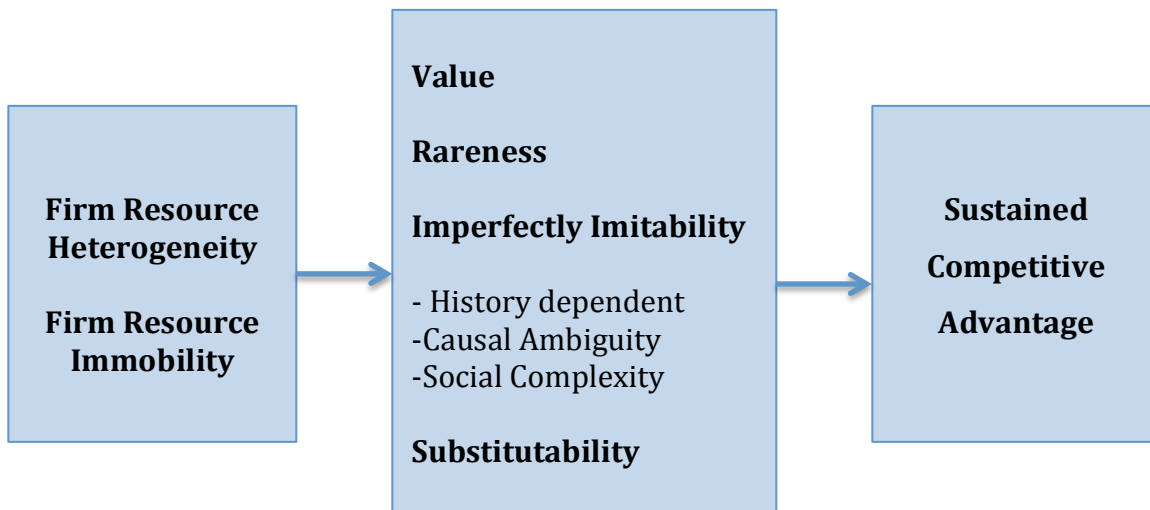
#### 1.1.4. Substitutability (Organizational)

The final requirement for firm’s resources to be source of sustained competitive advantage is that *“there must be no strategically equivalent valuable resources that are themselves either not rare or imitable”* (Barney, 1991:111).

According to Barney (1991), substitutability can be in two forms. The first one – there is no possibility for the firm to imitate another firm’s resources exactly, but firm can be able to make substitution to a similar resource that enable that firm to implement the same strategy. Secondly, very different firm resources can also be strategic substitutes. In other

words, knowledge as a resource is non-substitutable if situation is when there is no any strategically equivalent resource.

The relationship between firm's resource qualities summarized on Figure 2.



**Figure 2. The relationship between resource heterogeneity and immobility, value, rareness, imperfect imitability and substitutability, and sustained competitive advantage. (Source: Barney, 1991:112).**

## 1.2. Knowledge

For the purpose of present thesis it is important to have a clear definition on knowledge. However, there are numerous definitions of knowledge, because concept of knowledge is complex and multifaceted. Moreover, it is important to distinguish knowledge from information. Nonaka (1994), distinguish information as flow of messages, while "*knowledge is created and organized by very flow of information, anchored on the commitment and beliefs of its holder*" (Nonaka, 1994: 15). Furthermore, Bhagat et al. (2002) underlined that knowledge is broader, deeper and richer than information, because data only reflects discrete, objective facts about events and world around us.

Knowledge can also be defined following way: *“fluid mix of framed experience, important values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experience and information”* (Davenport and Prusak (1998) in Bhagat et al., 2002:205).

### 1.2.1. Tacit and Explicit Knowledge

Knowledge concept was defined earlier and some classification of knowledge was shown; however one of the most significant knowledge distinctions especially relevant for subject of knowledge transfer – distinction of tacit and explicit knowledge.

Nonaka (1994), one of the researchers who made significant input into exploration of organizational knowledge and he further developed Polanyi concept of tacit-explicit knowledge distinction theory. Initially, Polanyi (1966) defined explicit knowledge as knowledge that is transmittable in formal language and can be expressed in systematic language. On the other hand, tacit knowledge is not that easy, it has personal quality; tacit knowledge is *“rooted in action, commitment, and involvement in specific context”* (Nonaka, 1994:16). Moreover, Nonaka (1994), in his work - Dynamic Theory of Organizational Knowledge creation - presents the following distinction between tacit and explicit knowledge *“represents epistemological dimension to organizational knowledge creation. It embraces a continual dialogue between explicit and tacit knowledge which drives the creation of new ideas and concepts”* (Nonaka, 1994: 15).

Further, Nonaka (1994) expanded Polanyi’s contents of tacit knowledge. Polanyi looked on tacit knowledge mostly in philosophical context, while Nonaka (1994) added to it more practical meaning, so that tacit knowledge has both cognitive and technical elements. Cognitive element includes working models like schemata, paradigms, viewpoints and beliefs. According to Nonaka (1994) all these cognitive elements give individuals (employees) *“perspectives”* that make it possible for individuals to *“perceive and define their world”* (Nonaka, 1994:16). This statement relates to knowledge in that extent that

organizational knowledge about viewpoints, beliefs of the firm creates organizational culture of the firm that has great influence on which attitude have employees on knowledge sharing as well as organizational culture can be that knowledge that gives firm unique resource that results in success. Technical element of tacit knowledge includes specific know-how, crafts, and skills. All that refers to individual's images of reality and visions for the future represent cognitive element of tacit knowledge. In other words, Nonaka (1994) compares tacit knowledge with "analogue" quality of knowledge, while explicit knowledge is "digital" (Nonaka, 1994). Interestingly, he uses different terms of tacit – "analogue" and explicit "digital" knowledge, because tacit knowledge is "*continuous activity of knowing*" and communication between individuals is analogue process with goal for knowledge transfer and creation of mutual understanding. In contrast, explicit "digital" knowledge is "*captured in records of the past such as libraries, archives and databases and is assessed on sequential basis*" (Nonaka, 1994: 16-17).

Nonaka (1991) give the following definition to explicit knowledge - it is formal and systematic, that is the reason why it can be communicated and shared easily, for example in form of product specifications, formulas or computer programs (Nonaka, 1991). In other words explicit knowledge is knowledge that can be codified. It is often found in books, enterprise repositories, databases, and computer programs. Tacit knowledge, which is highly personal, is difficult to articulate and is rooted primarily in our contextual experiences (C. T. Small, 2005/2006). Tacit knowledge is difficult to formalize and consequently difficult to communicate to others. Or in other words "*We can know more than we can tell*" (M.Polanyi in Nonaka, 1991:98).

Researchers have argued that national culture influence knowledge management and knowledge transfer, for example Nonaka and Takeuchi (1995) claim that in Japanese culture knowledge is being viewed primarily as tacit knowledge, opposite view on knowledge rooted in Western culture, where focus is on explicit knowledge, which can be presented in words and numbers and easily can be communicated (Nonaka and Takeuchi, 1995 in Small 2005/2006).

Consequently, distinction between tacit and explicit knowledge give four possible patterns

of creation of knowledge in MNC. Nonaka (1994) use word “knowledge conversion”.

	Tacit knowledge	Explicit knowledge
Tacit knowledge	<i><b>Socialization</b></i>	<i><b>Externalization</b></i>
Explicit knowledge	<i><b>Internalization</b></i>	<i><b>Combination</b></i>

**Figure 3. Modes of Knowledge Conversion (source: Nonaka, 1994)**

- From tacit knowledge to tacit knowledge (Socialization).

Tacit knowledge can be converted through interaction between individuals; language is not necessary for this type of knowledge conversion. Knowledge can be transferred through such mechanisms as observation, imitation and practice. In business situation on-job training represent this type of knowledge transfer. Sharing of experiences is the most important during socialization mode of knowledge transfer (Nonaka, 1994:19).

- From explicit knowledge to explicit knowledge (Combination).

Combination mode of knowledge conversion is based on use of social processes to combine different bodies of explicit knowledge. Knowledge exchange happens with help of meetings and telephone conversations.

- From tacit knowledge to explicit knowledge (Internalization) and from explicit knowledge to tacit knowledge (Externalization).

These modes of knowledge conversion capture the idea that “*tacit and explicit knowledge are complimentary and can expand over time through a process of mutual interaction*” (Nonaka, 1994).

Further, aspects of organizational theory can explain socialization, combination and internalization knowledge conversion modes. For example socialization knowledge conversion is connected with organizational culture theory, combination mode can be explained in terms of information processing and internalization mode is close to organizational learning theory. However, externalization mode of knowledge conversion is not well developed in organizational theory, and it is little known about conversion of explicit knowledge to tacit knowledge.

Enterprise knowledge is generally said to be a dynamic mix of individual, group, organizational and inter-organizational experiences, values, information, and expert insights. It originates in the minds of the individual knowledge worker and emerges as individual knowledge workers interact with other knowledge workers and the environment (C. T. Small, 2005/2006; D.Apostolou, 1999).

To sum up, I would like to highlight that transfer of tacit knowledge requires richer context and different media sources, because tacit knowledge cannot be transferred easily (as explicit knowledge) by codifying.

### **1.3. Knowledge Transfer in MNCs**

It is widely accepted that nowadays knowledge is important resource of firm’s success. Specifically, strategic management field appreciate the role of knowledge and knowledge transfer as inimitable source of advantage (Birkinshaw, 2011). Before going deeper in definition of knowledge transfer, I would like to mention here that after search for relevant literature about knowledge transfer, it was revealed that some scholars use some other

terms for knowledge transfer, for instance, knowledge combination, knowledge creation and learning. In my thesis I prefer to use knowledge transfer term, only.

We can find a lot attempts to define knowledge and knowledge transfer. For example Nonaka (1994) define knowledge as "*justified true belief*", further he underline the importance of personal belief in definition of knowledge (Nonaka, 1994:15). Also Nonaka (1994) distinct knowledge and information, "*information is flow of messages*" and knowledge is "*created and organized by the very flow of information, anchored on the commitment and beliefs of its holder*" (Nonaka, 1994:15). Kogut and Zander (1992) suggest another knowledge definition - "*accumulated practical skill or expertise that allows one to do something smoothly and efficiently*" (Kogut and Zander, 1992:386).

Japanese companies were probably the first one to understand the importance of efficient knowledge transfer to achieve competitive advantage, these companies are famous for its quick respond to customers, creating new markets, develop new products and use new technologies. Making personal knowledge available to others in organization is the key process of knowledge transfer, this process should be continuous and on all organization's levels (Nonaka, 1991).

From knowledge definition in organizational context, it is natural to define knowledge transfer. Lucas (2006) suggests that knowledge transfer is about "*ensuring that efforts provide the desired results (effectiveness) and ensuring that the new knowledge becomes embedded within the organization's fabric (institutionalization)*" (Lucas, 2006:259).

According to Qin (2011), knowledge transfer is "*a process of dyadic exchanges of knowledge between the source and recipient units*" (Qin et al., 2011:10). Other researchers, for example Zander and Kogut (1995) define knowledge transfer as "*dissemination of capabilities*". However, in my thesis, for the purpose of research, I chose to hold on Qin et al. (2011) definition – knowledge transfer as process of exchange between the source and recipient units (between subsidiaries).

To Gupta and Govindarajan (1991) MNCs are networks of three types of transactions:

*capital flows, product flows* and *knowledge flows*, for example technology and/or skills transfer to and from various subsidiaries. In other words, MNCs can be defined as networks of transactions that are engaged in the knowledge transfer process, in addition to capital and product flows. Gupta and Govindarajan (1991, 2000) claim that MNCs through internal organizational mechanism is more efficient in knowledge transfer than external market mechanisms; the reason for that is the fact that external transactions in knowledge transfer more receptive to market imperfections like recognition problems, disclosure problems and negative externalities. In other words, MNCs structures existence is possible because of their efficient way of knowledge transfer in comparison to markets. Further, Qin (2011) argue that one of the key competitive advantage of MNCs is the unique ability to use "*locally created knowledge worldwide, characterized by separation through time, space, culture and language*" (Qin et al., 2011:11).

#### 1.4. Factors Affecting Knowledge Transfer

Indeed, significant difficulties in knowledge transfer occur when knowledge transfer in MNC, because of geographical, organizational, and cultural distances often present barriers (Bresman et al., 2010).

The process of knowledge transfer can be quite challenging and have certain barriers. In this part of the thesis I would like to draw attention to factors that affect knowledge transfer.

During past decades, questions have been raised about why some MNC are more successful in knowledge transfer than others. So, many scholars identified number of factors that have to a greater or lesser extent have influence on knowledge transfer across borders.

All knowledge transfer faces some difficulties, however cross-border knowledge transfer can face more obstacles because of cross-cultural, economic, politic and geographical gaps (Duan et. al, 2010).



According to Gupta and Govindarajan (2000) the “tacitness” or “causal ambiguity” of knowledge is one of the most widely recognized barriers of knowledge transfer, however other factors, for example, barriers rooted in motivational reasons and absorptive capacity, were named.

So far, factors that have been explored by scholars mainly fit into three categories: characteristics of knowledge, characteristics of actors and relationship between actors (Michailova and Mustafa, 2012). Factors or context variables of knowledge transfer can be divided into factors of external environment and factors of internal environment. Similarly, Chow et al. (2000) suggests that such factors as nature of the knowledge to be shared, the relationships among employees, culture of the work place – organizational culture and employees’ national culture, play its role in employee behavior and consequently knowledge transfer. Further, Lucas (2006) concludes that knowledge to be transfer *“embedded in the practices, routines, technologies, and individuals that permit the implementation of new techniques designed to improve performance”* (Lucas, 2006:259). Considerable body of research attention is focusing on distance, both in terms of geographical distance and cultural distance, for example Li and Scullion (2006) classify distance into three categories: physical/geographical distance, institutional distance and cultural distance. Consequently, distance that affects knowledge transfer represent 3 groups of barriers for knowledge transfer.

### 1. **Factors of physical distance.**

By physical distance means of course, geographical proximity of subsidiaries. However, some other factors: physical size of the country, the country’s communication infrastructures, the scope of knowledge sources, and the scale of the multinational firm’s business.

### 2. **Factors of institutional distance.**

Institutional difference can be considerable, specifically between Western countries and Asian countries. For example, the legal framework, particularly property rights law and contract law can restrict knowledge transfer in some extent. One example can be Confucian code of li in China, which is more important than official law;

Confucian code "*emphasizes the superiority of moral behavior and learning from others*" (Li and Scullion, 2006:78).

### **3. Factors of cultural distance.**

According to Li and Scullion (2006) cultural distance itself have many sub-dimensions:

- Holistic cognition that can enable to see the 'big picture' of problems (Asian cultures).
- Attitudinal dimension/Responsibility-shy attitude. Representatives of some cultures (e.g. China) can shy away from responsibilities in subsidiaries of Western MNC by traditional reasons, so knowledge transfer from locals are considerably obstructed.
- Social psychological dimension. Indeed, continual maintenance of 'face' is a dominant regulator of social life in some cultures, particularly China.
- Social ethnographic dimension. Implicit approach to communication can be barrier for efficient knowledge transfer between Western and Asian subsidiaries (Li and Scullion, 2006).

### **1.5. National Culture and Knowledge Transfer**

Now I would like to look on the connection and influence of national culture on knowledge transfer. First of all I think the definition of national culture is needed.

There are many definitions of culture. One of the classic anthropological definition of culture is: "*Culture consists in patterned ways of thinking, feelings and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional ideas and especially attached values*" (Kluckholm, 1951: 86 in Hofstede, 2001:9). Hofstede (2001) one of the most famous researcher of national culture use more specific and short definition: "*collective programming of the mind that distinguishes the members of the group or category of people from another*" (Hofstede, 2001:9). As we see from first definition

culture acquired and transmitted by artifacts and symbols, so we can make the conclusion that artifacts and symbols that present values of culture are tacit knowledge. Further, these cultural values, that individuals possess, determine individual's behavior during the knowledge transfer process and the meanings associated to pieces of information (El Din Nafie, 2012).

Moreover, Zaidman and Brock (2009) suggest culture-context approach that can be applied to knowledge transfer in multinational corporations. This approach focuses on "*the norms and rules that govern knowledge transfer of each population within specific contexts*" (Zaidman and Brock, 2009: 299). In other words Zaidman and Brock (2009) claim that different cultures transfer knowledge differently because of large cultural differences.

Generally, when it comes to external environment of MNCs that have significant influence on knowledge transfer - national culture - is regarded as one of the most important factors (Bhagat et al., 2002; Lucas, 2006; Li & Scullion, 2006; Qin et al, 2011).

In order to advance my research question propositions about national culture influence on knowledge transfer in MNCs I would like to draw Hofstede's (1980) framework because Bhagat et al. (2002) theoretical model bases on Hofstede's dimensions, specifically power distance and individualism/collectivism. As well as, Lucas (2006) uses all Hofstede's cultural dimensions in his investigation about national culture influence on knowledge transfer: power distance, individualism-collectivism, masculinity-femininity, uncertainty avoidance and short term- long-term orientation (Confucian dynamism).

Hofstede's framework and his investigation on national culture is one of most significant and recognized framework among researchers. Another reason why I decided to apply his framework is that there is necessary information about cultural indexes available for most of the countries worldwide. However, Hofstede's framework was subject of criticism in last decades, however his model is the most acknowledged and comprehensive framework about national culture (Michailova & Hutchings, 2006).

It is well known that national culture influences a individual's behavior, either by in-built values toward which the actions are oriented or by adapting action's strategies favoring or discouraging some patterns of action (Hofstede, 2001).

The significant number of scholars employed Hofstede's cultural framework in greater or lesser extent studying knowledge transfer, for example Lucas (2006) carried out detailed discussion of cultural dimensions and their significance for knowledge transfer.

It is reasonable to highlight that it is argued that transfer of knowledge among societies/organizations/ MNC subsidiaries with similar cultural patterns are smooth and efficient, in contrast to societies/organizations/ MNC subsidiaries with dissimilar cultural patterns where knowledge transfer can be fraught with problems (Bhagat et al., 2002).

**Table 1. Relevant literature on role of national culture in knowledge transfer in MNC.**

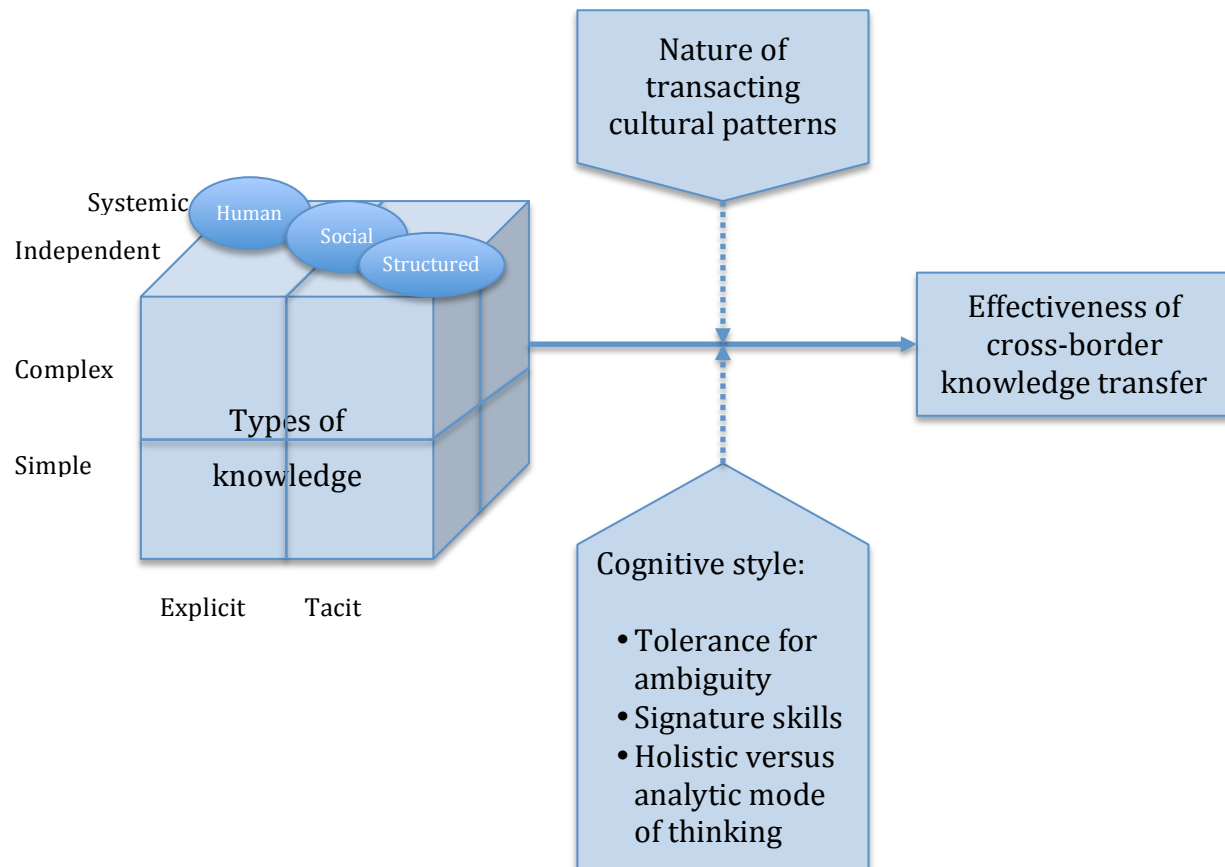
Study, author, year	Variables, constructs, concepts	Findings
Bhagat et.al, 2002  "Cultural variations in the cross-border transfer of organizational knowledge: an integrative framework".	<u>Knowledge dimensions:</u> - Human/social/structured knowledge; - Simplicity/complexity of knowledge; - Explicit/tacit knowledge; - Independent/systemic knowledge. <u>Cultural dimensions of knowledge:</u> - <b>Horizontal collectivism</b> (low power distance(PD) index; low individualism (I)); - <b>Horizontal individualism</b> low PD index; high I index; - <b>Vertical collectivism</b> (high PD; low I index); - <b>Vertical individualism</b> (high PD; high I index).	<b>Vertical Individualist Culture</b> - Comfortable in transfer of codified, complex and linear knowledge; - Difficulties in KT to horizontal and vertical collectivists. <b>Horizontal Individualist Culture</b> - Adept in articulating and absorbing explicit knowledge and independent of context; - Ignore information about hierarchy, status, position; - Comfortable in transfer knowledge that help in sustaining sameness of self and others. <b>Vertical Collectivist Culture</b> - More sensitive in knowledge transfer coming from authorities and careful with information about hierarchy; <b>Horizontal Collectivist Culture</b> - Emphasize in-group goals, norms and relationships;

		<ul style="list-style-type: none"> <li>- Engage in knowledge transfer in those situations that lead to coevolution of shared mental models;</li> <li>- Better in tacit, systemic, contextually grounded knowledge transfer;</li> <li>- Difficulties in transfer to vertical individualist</li> </ul>
<p>Chow et al., 2000</p> <p>“The Openness of knowledge sharing within organizations: a comparative study of US and PRC”.</p>	<ul style="list-style-type: none"> <li>- Individualism-collectivism;</li> <li>- Confucian dynamism;</li> <li>- Concern for face;</li> <li>- In-group – out-group;</li> </ul>	<ol style="list-style-type: none"> <li>1. Members of more collectivist culture are expected to share their knowledge more fully.</li> <li>2. If knowledge sharing can damage face or social standing then members of culture with “face concern” would like not to share the knowledge.</li> <li>3. Members of collectivist cultures would share knowledge more openly with in-group than out-group members.</li> </ol>
<p>Lucas, 2006</p> <p>“The role of culture on knowledge transfer: the case of multinational corporation”.</p>	<ul style="list-style-type: none"> <li>- Tacit/Explicit knowledge;</li> <li>- Individualism-collectivism;</li> <li>- Power distance;</li> <li>- Uncertainty avoidance;</li> <li>- Masculinity-femininity;</li> </ul>	<ol style="list-style-type: none"> <li>1. For knowledge transfer to occur between subsidiaries in individualistic cultures, there must be alignment in expectations of knowledge providers and acquirers.</li> <li>2. Subsidiaries from collectivist cultures view knowledge as MNC property; individualistic – individual property.</li> <li>3. Large PD – KT where subsidiaries are acquirers of knowledge.</li> <li>4. Small PD – subsidiaries are generators of knowledge.</li> </ol>
<p>Michailova &amp; Hutchings, 2006</p> <p>“National cultural influences on knowledge sharing: a comparison of China and Russia”.</p>	<ul style="list-style-type: none"> <li>- Individualism-collectivism;</li> <li>- In-group – out-group;</li> <li>- Vertical collectivism;</li> <li>- Universalism-particularism.</li> </ul>	<ol style="list-style-type: none"> <li>1. Intensive KS among <u>in-group</u> members.</li> <li>2. KS occurs within organizations where people feel trust in and have <u>particularistic</u> ties with.</li> <li>3. KS with their in-groups by 2 reasons: <ul style="list-style-type: none"> <li>- Preserving the group’s well-being</li> <li>OR</li> </ul> </li> </ol>

		-Self-interest motive to establish personal domination.
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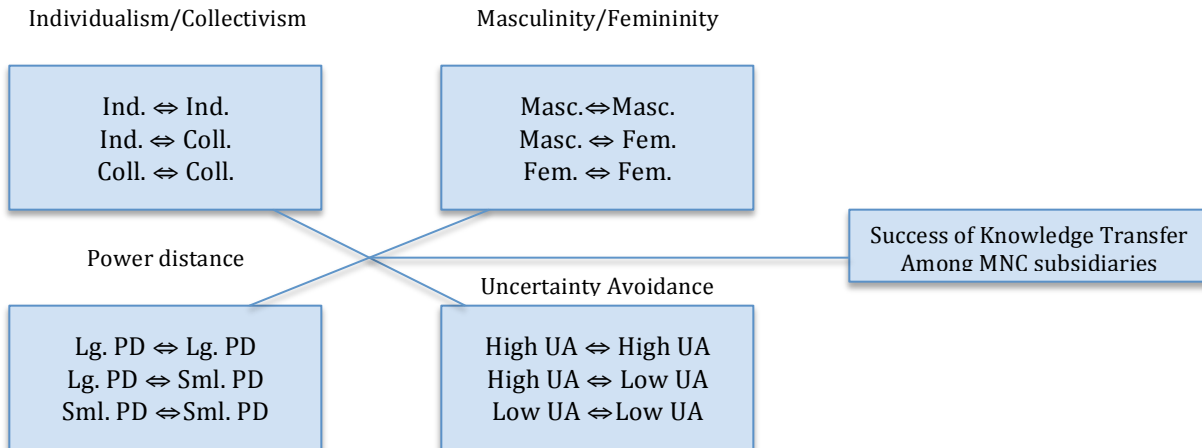
### 1.5.1. Conceptual model of knowledge transfer in MNC

Bhagat et al. (2002) developed conceptual model of knowledge transfer in cross-border context. The model is presented on Figure 4. According to this model the important role in success of knowledge transfer play the type of knowledge. Additional factors that are important are: the nature of transacting cultural patterns and cognitive styles of individuals involved in knowledge transfer; two last mentioned factors are interrelated, because cultural patterns have direct impact on cognitive style.



**Figure 4. A Model of knowledge transfer in cross-border context (Source: Bhagat et al. 2002).**

Another model of cross-border knowledge transfer, relevant for the purpose of my thesis, was suggested by Lucas (2006). Lucas (2006) used Hofstede's cultural dimensions in his model: Individualism/collectivism, masculinity/femininity, power distance and uncertainty avoidance.



**Figure 5. Conceptual model of cross-border knowledge transfer within multinational corporations (source: Lucas, 2006).**

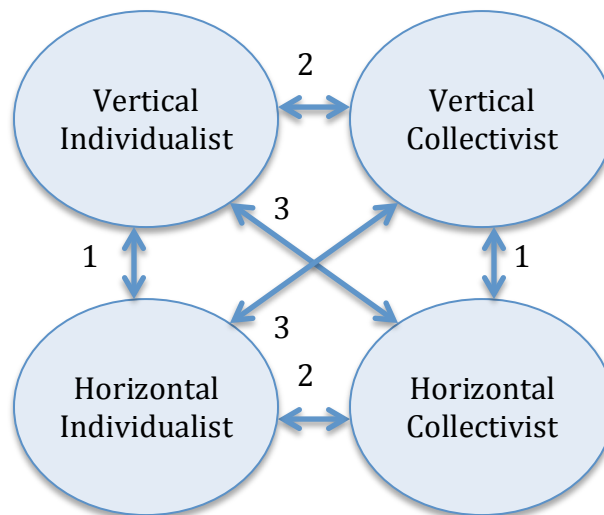
Similar model of cross-border organizational knowledge transfer is presented in work of Bhagat et al., 2002. However, in contrast to Lucas, 2006 Bhagat et al. apply only two cultural dimensions – power distance and individualism/collectivism. Thus, four possible cultures, that can be characterized by different indexes of power distance and individualism / collectivism, presented in model:

1. **Vertical Individualist** – culture with high power distance and high individualism; vertical individualists see each other as unique and unequal in status.
2. **Vertical Collectivist** – culture with high power distance and low individualism (collectivistic culture). Vertical collectivists tend to think of themselves as “different” from other members of “in-group”.
3. **Horizontal Individualist** – culture with low power distance and high individualism; it’s a “cultural pattern found in those countries where the individual views his or her “self” as relatively independent of the in-group, but also more or less equal in status with others” (Bhagat et al, 2002:210).



4. **Horizontal Collectivist** – culture with low power distance and low individualism (collectivistic culture). Horizontal collectivists tend to have emphasize on “oneness” with other members of “in-group”.  
(Bhagat, et al, 2002).

There are three possible levels of difficulty of knowledge transfer, indicated by Bhagat et al., 2002 in his model presented on Figure 6: (1) less difficult to transfer in either direction; (2) more difficult to transfer in either direction; (3) most difficult to transfer in either direction.



**Figure 6. Cross-Border Transfer of Organizational Knowledge Among Four Cultural Patterns (Source: Bhagat, et. al., 2002: 212).**

Now I would like to discuss most valuable variations used in theoretical frameworks of Chow et al., 2000; Bhagat et al., 2002; Lucas, 2006 and Michailova and Hutchings, 2006. As a result of the discussion I am going to indicate most relevant variables that I will use in my research model in next chapter.

### 1.5.2. Individualism-Collectivism dimension

Indeed, distinction of individualism and collectivism is very frequent and most applied dimension in business studies. As we see from the table above, all of the scholars (Bhagat et al., 2002; Chow et al, 2000; Lucas, 2006; Michailova and Hutchings, 2006) applied individualism-collectivism dimension in their research, so we can talk about recognition of this cultural dimension in knowledge transfer among researchers. According to Hofstede (2001: 225) *“individualism stands for a society in which ties between individuals are loose: one is expected to look after oneself and one’s immediate family only. Collectivism, in contrast, stands for a society in which, from birth, people are integrated into strong, cohesive in-groups.”* Another way to define individualism is *“tendency of people to place personal goals ahead the goals of a larger social group, such as the organization”* Ardichvili et al., 2006:96). In other words, members of individualistic cultures look on themselves as independent individuals, whereas collectivists feel themselves interdependent with other members of the group/organization.

Individualism-collectivism (IC) dimension of national culture is commonly recognized as basic value, that distinguishes members of different cultural groups from each other. When we talk about IC dimension, it means that degree of emphasis on group society’s values differs and, consequently, degree of self-interests differs. Individualistic cultures tend to give more value to individual needs than group’s needs (Hofstede, 2001). Based on the above distinguishing features of IC dimension, Chow et al. (2000) assume that if knowledge sharing causes conflict between collective interests and self-interests, members of culture with higher degree of collectivism tend to share their knowledge more fully, because of placing the interest of the collective over self-interests.

When it comes to processing to information, analysis of social behavior and knowledge transfer issues it is argued that various societies have distinctively different ways of information processing and analyzing of social behavior. For instance, in individualistic cultures individuals tend to see each piece of information independent from context and put emphasis on written, codified information, from other side, collectivists tend to see

information in its context and pay less attention to written information. During knowledge transfer individualists are more concerned with rationality than their collectivists colleagues (Bhagat et al., 2002). Furthermore, Bhagat et al. (2002) concludes “*people in individualist cultures emphasize explicit knowledge, whereas those in collectivist cultures emphasize tacit information and knowledge*” (Bhagat et al., 2002: 209).

Bhagat et al. (2002) combine two cultural dimensions – individualism-collectivism and power distance, consequently he talks about: horizontal collectivism; horizontal individualism; vertical collectivism and vertical individualism.

Lucas (2006) in his recent study showed that for knowledge transfer to occur between subsidiaries in individualistic cultures, there must be alignment in expectations of knowledge providers and acquirers. Furthermore, he claim that subsidiaries from collectivist cultures view knowledge as MNC property and in contrast, individuals in individualistic cultures as individual property.

### 1.5.3. In-group – Out-group dimension

In-group and out-group dimension of culture is consequence of individualism and collectivism cultural distinction, however this distinction needs special attention. For instance, in collectivism one tends to communicate only with in-group-members, in contrast in individualism one communicate with anyone in organization (Bhagat et al., 2002). For instance, Chow et al. (2000) found out that Chinese nationals (collectivists) are quite resistant to share knowledge with out-group members than American nationals. In contrast, representatives of subsidiaries of individualist cultures share knowledge with out-groups at the same extent as with in-groups.

### 1.5.4. Power distance

Research of Lucas (2006) pays significant attention to power distance (PD) dimension. He claims that small PD cultures, horizontal cultures, in Bhagat et al. (2002) terminology, tend to use participative approach in decision making, this approach allow for free idea exchange

in subsidiaries. In contrast, cultures with large PD, vertical cultures, according to Bhagat et al. (2002) can be characterized by autocratic approach to decision making, where leaders (those who possess power) look on others without power as on subordinates, not as on equals. In such cultures, according to Lucas (2006) subsidiaries are not generators of knowledge, but have traditional role of acquirers.

Knowledge transfer between two subsidiaries with low PD will be characterized by attempts to compromise, both subsidiaries will focus on reducing resistance to change and finding way to smooth transition to new technology/routine – knowledge transfer (Lucas, 2006).

In the instance of knowledge transfer between two subsidiaries with large PD, situation is more complicated – Lucas (2006) compares it to “*battle between two heavyweights in which neither one has ability to destroy the other*” (Lucas, 2006:265). So, in this situation more energy should be spend in order to get compromise, normally the reason for compromise is based on strategic interdependence.

A third scenario is knowledge transfer between subsidiaries with different PD index. So in first situation when knowledge provider has large PD and acquirer has small PD, the one with high PD will apply control over acquirer. Interests of the acquirer are not taken into consideration, very often, such situation is not desirable because it decrease significantly chances for successful transfer (Lucas, 2006). On another hand, when knowledge provider has small PD and knowledge acquirer has large PD knowledge transfer situation is different. If the acquirer recognizes the importance of knowledge then there is situation when acquirer has vulnerable position, but subsidiary with high PD (acquirer) more comfortable when it has control over situation of transfer, so acquirer sees knowledge as being transferred “on their terms” (Lucas, 2006). As it was noticed above: in transfer where subsidiaries with different PD involved, home offices should have increased role in knowledge transfer process.

In addition to PD discussion, Michailova and Hutchings (2006) claim that high power distance with combination of high uncertainty avoidance and minimal trust can result in minimal disclosure of company information that is crucial for effective knowledge transfer.

Bhagat et al. (2002) use to distinct cultures into vertical (high power distance) and horizontal (low power distance). So, he found out that in vertical cultures processing of information occurs according hierarchical structure of organization. Particularly, leaders, superiors have direct access to important knowledge; further superiors decide the way and volume of knowledge to be disseminated to others in organization. In other words, communication and dissemination of knowledge can be affected dramatically in vertical cultures – cultures with high power distance, in contrast cultures with lower power distance – horizontal cultures – are more efficient in knowledge transfer (Bhagat et al., 2002).

#### 1.5.5. Concern of Face

Literature points another cultural attribute, rooted in individualism-collectivism cultural phenomena, namely concern about face, or “fear of losing face”. According to table 1, only Chow et al. (2000) pay attention to “face concern” or “fear of losing face” in knowledge transfer process. Main conclusion made by Chow et al. (2000) is – while collectivists are expected to place interest of the group above their own, they still may be concerned about their face and that can reduce their willingness to share knowledge, even with in-group members. Ardichivilli et al. (2006) define this phenomena as “extent to which individuals try to gain face (Mianzigain) or avoid losing face (Mianziloss)” (Ardichivilli et al., 2006:97). Further, Ardichivilli et al. (2006) make assumption that desire to save face would constitute a significant barrier for knowledge sharing in form of online communities.

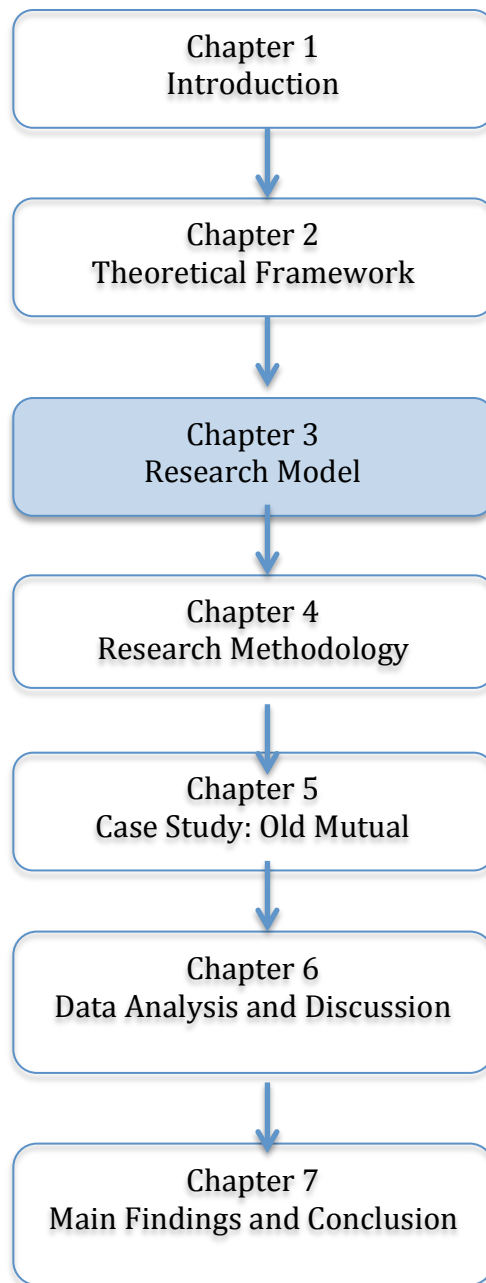
### 1.5.6. Universalism-Particularism

The other leg of theoretical framework proposes distinction universalism-particularism distinction. According to Michailova and Hutchings (2006) universalism – applying general standards and particularism – taking particular relationships into account, so the difference here is the focus on rules of behavior: in universalist culture the importance of law is high, and in particularistic cultures relationships are more important than laws. Consequently, knowledge sharing is more likely to occur within organization where individuals feel trust in and have particularistic ties with (in case of particularistic culture).

### 1.5.7. Tolerance for ambiguity

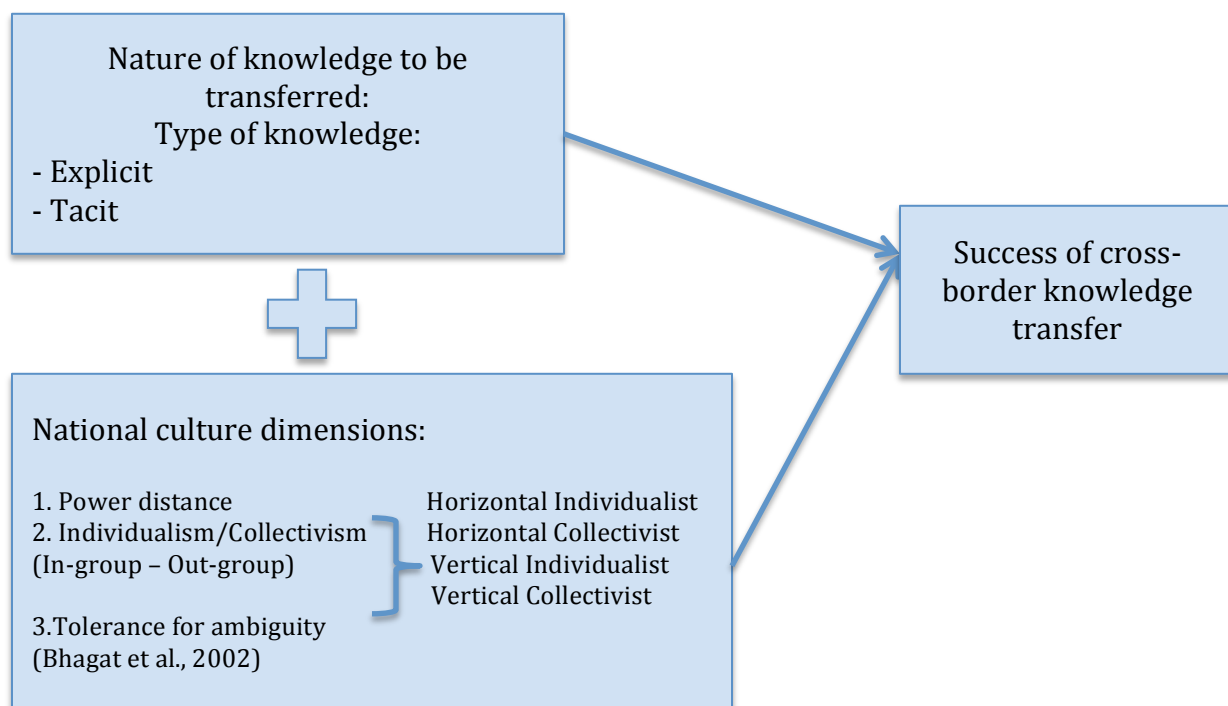
According to Bhagat et al. (2002) transfer and absorption of tacit knowledge is has the connection with tolerance for ambiguity, both when knowledge is receiving and transferring (sending). Furthermore, Bhagat et al. (2002) claim that “individuals with high tolerance of ambiguity are better able to transfer and receive knowledge that is tacit, complex, and systemic...horizontal individualists are more likely to possess a higher tolerance for ambiguity and, therefore, are better able to absorb knowledge that is complex and perhaps sticky in nature”.

To sum up, in theoretical part of the thesis the definition of knowledge and knowledge transfer were presented. Also the important recourse-based view on the firm of Barney (1991) was connected to the importance of knowledge for the firm. Further, importance of knowledge transfer for MNC was argued and factors that have impact on knowledge transfer were discussed with major focus on different theories of national culture influence on knowledge transfer: prominent works of Chow et al. (2000); Bhagat et al. (2002); Lucas (2006) and Michailova and Hutchings (2006) were discussed with major focus on work of Bhagat et al, 2002. As a result of theoretic discussion in present chapter (chapter 2) the research model will be formulated in chapter 3.



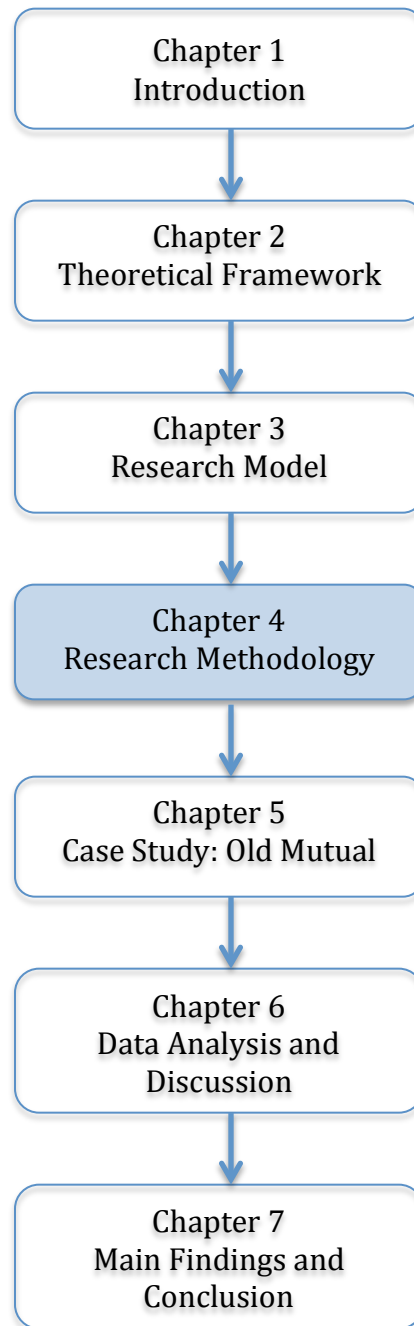
## 4. Research Model

The model (Figure 7) below is based on research on theoretical models and concepts about knowledge transfer and national culture influence made in last decades. In theoretical chapter of my thesis I discussed number of knowledge transfer and national culture variables, which are not, however, included in research model. I decided to include following variables in research model: explicit and implicit knowledge, power distance (PD) and individualism/collectivism (I/C), which give four possible combinations: horizontal individualist, horizontal collectivist, vertical individualist and vertical collectivist (Bhagat et al., 2002). The reason that I excluded other cultural variables discussed in theoretical chapter is that some variables are not established in research of knowledge transfer and just few studies are made, so I decided to use variables that are well-established and applied in many studies.



**Figure 7. Research Model (Source: Own, based on Bhagat et al., 2002; Chow et al., 2000; Lucas, 2006; Michailova and Hutchings, 2006).**





## 5. Research Methodology

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This section will describe the research design; explanations of research methodology and case study as research approach used in thesis will be displayed. I would like also to give the reasoning for chosen methods. Also, in this chapter, I would like to include details about data collection.

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### 4.1. Qualitative Research

There are two approaches to conducting research: quantitative and qualitative. Historically, quantitative inquiry strategies were widely used, however nowadays more and more often researchers prefer qualitative methodology. Creswell (2003) suggests another approach to research – namely – mixed methods research. In my thesis I will use qualitative approach for research conducting.

Quantitative research focuses of numerical and statistic data, applying qualitative research, main focus is made on words, concepts and constructs rather than numbers. In contrast to quantitative research, qualitative research seeks to explore phenomena rather than confirm hypothesis about phenomena as quantitative research does. Moreover, research instruments in qualitative research are more flexible. Generally, main difference between qualitative and quantitative research is flexibility in terms of form, instruments, interpreting of results and analysis (Yin, 1994).

The main reason for raising popularity for qualitative research is that in business research not always quantitative research methods can give answer to research question, qualitative research enable researcher to go deeper into research question and analyze concept from different perspectives.

Yin (1994) point out that qualitative research method is used to gain insight into attitudes, behavior, motivation, culture and lifestyle. Further, Yin (2011:7-8) identify five features of qualitative research:

- 1) Qualitative research enables to study real life of the people under real world conditions;
- 2) Qualitative research enables participants of the study (research) to enrich study with their perspectives and ideas;
- 3) Qualitative research covers contextual conditions (social, institutional, environmental) of research. These conditions may have strong influence of people's behavior in business context or any other context;
- 4) Qualitative research contribute to existing or emerging concepts, that can explain human's behavior;
- 5) Qualitative research supposes use of multiply sources of evidence.

Moreover, Creswell (2003:13) claims that there number of research strategies (associated with qualitative methodology): narratives, phenomenologies, ethnographies, grounded theory and case study. As it was named before in my thesis I will use case study research strategy. Going further, Creswell (2003:17) identify following research qualitative methods – specific methods of data collection and analysis: emerging methods, open-ended questions, interview data, observation data, document data, audiovisual data and text and image analysis. In next chapter I would like to use some of named methods of data collection and analysis, for instance interview data, audiovisual data and document data.

#### 4.1.1. Case study

I decided to design my empirical study as case study, because main questions I would like to answer are “how” and “what”.

Yin (1993) is one of the researchers of case study who made significant contribution to developing of this approach. He defined case study as an empirical inquiry that “*investigates*

*a contemporary phenomenon within real-life context and addresses a situation in which the boundaries between phenomenon and context are not clearly evident” (Yin, 1993:59).*

According to Meyer (2001) case study consist of *“detailed investigation of one or more organizations, or groups within organizations, with a view to providing an analysis of the context and processes involved in the phenomenon under study” (Meyer, 2001:329).* Case study approach is convenient in my thesis because this research method allows tailoring design and data collection according research questions. However, Meyer (2001) argues that this strength of case studies can be its weakness also.

Case study approach is particularly useful for responding to “how” and “why” questions about a contemporary set of events (Leonard-Barton 1990 in Meyer, 2001). Thus, this argument of choice of research method is appropriate for goals of my research question.

Further, Meyer (2001) highlights the main difference between case study and other qualitative methods, for example grounded theory, namely that case study method allows conceptual theoretical framework guide researcher though research and analysis of data. In contrast, grounded theory supposes that theory is grounded in empirical data.

Verschuren (2003) define case study more clearly as a research strategy, rather than research methodology, in order to differentiate case study from other strategies such as the survey, the experiment or other approaches. Research strategy refers to *“a coherent set of methods, techniques and procedures for generating and analyzing the research material, as well as to the way the researcher looks at reality and conceptually designs the research project” (Verschuren, 2003:122).*

#### **4.1. Collection of Data**

There are two data collection methods, primary and secondary. The primary data for the empirical study have been collected directly from the case company –Old Mutual Group, which has many subsidiaries in different countries. The main aim is to find out information

regarding knowledge transfer and generally knowledge management policies, and which role cultural differences (similarities) play in this process.

First, primary data: interviews of personnel, annual reports, press releases and other primary documents from Old Mutual Group. The secondary data, that gives supporting information to primary data.

#### 4.2.1. Primary Data

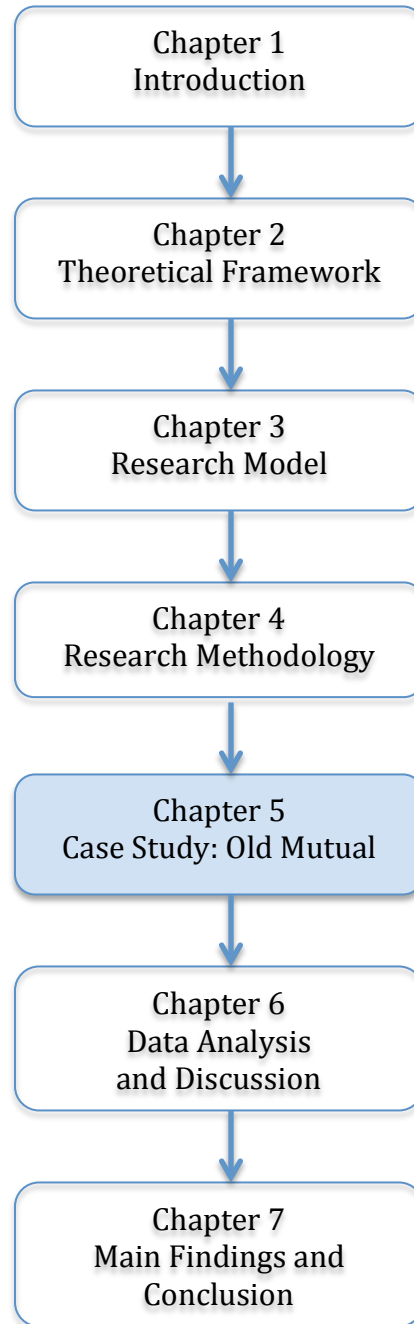
I will gather data about Old Mutual Group from it's annual reports, quarterly reports, press releases and any other relevant data available publicly from its website. Additionally, I would like to gather data concerning locations of Old Mutual's subsidiaries and national culture indexes, which I included in my research model. Moreover, interviews with personnel presented on website is valuable source of information for analysis (shown in table 2). To gather information I need for analysis in Chapter 6 I developed interview guide that will consist of questions regarding my research problem.

**Table 2. List of employee's interviews**

Name	Subsidiary	Position	Location
Adam Guinea	Old Mutual Asset Management	Manager Finance Operations	USA
Agata Romanowska	Skandia International	Internal Communication Specialist	Poland
Claudia Mayorga	Skandia Colombia	Corporate Segment Commercial Manager	Colombia
Laura Woolfson	Old Mutual Asset Management	Media and Communication Associate	USA
Peter Fleming	Skandia UK	Head of Customer Investment	UK
Molly Mugler	Old Mutual Asset Management	Head of Legal and Secretary	USA
Konstantin Kuba	Skandia International	Project Portfolio Manager	Germany
Jorge Galvis	Skandia Colombia and Mexico	Head of IT	Mexico
Kerrin Smith	Old Mutual South Africa	Head of Boutique Management	South Africa
Siboniso Nxumalo	Old Mutual South Africa	Equity Analyst	South Africa
Juliana Uribe	Skandia Colombia	Affiliation and Branch Leader	Colombia
Artur Frelek	Skandia International	Head of Product Development	
Brett Wilson	Old Mutual-Guodian	Chief Actuary	Uk/China

#### 4.2.2. Secondary Data

Journal articles and book chapters, which were written about Old Mutual and Skandia for other purposes than analysis of knowledge transfer and influence of national culture, can be good source of background information for my thesis also.



## 5. Case study: Old Mutual Group / Skandia

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The aim of this chapter is to give information about the company – Old Mutual Group – Skandia in order to present necessary information that will be base for analysis.

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### 5.1. General information

Old Mutual Group is an international long-term savings (LTS), protection, banking and investment Group (Annual Report and Accounts. 2012: 4); founded in 1845 in Cape Town, South Africa. Old Mutual headquarters located in London, UK. In 2006



Old Mutual Group was acquired with Skandia, which is one of the world's leading independent providers of solutions for long-term savings and investments and was established in Stockholm in 1855. However, after acquisition with Skandia was completed Old Mutual Group saved Skandia brand and major part of LTS operations happens under Skandia brand.

The main business units of Old Mutual are:

1. Long-term savings –life assurance-based solutions which address both protection and retirement needs;
2. Banking. Old Mutual Group has majority of shareholding of Nedbank, South-Africa's leading banks, which also has offices in other southern Africa.
3. Short-term insurance presented in southern Africa.
4. US asset management

In table 2 locations and product / services distribution are presented.



**Table 3: Locations of business units of Old Mutual Group**

(Source: Own, based on Old Mutual Group website information)

Long-term savings	Banking	Short-term insurance	US Asset Management
Southern Africa, Europe, Colombia, Mexico, India and China	Southern Africa	Southern Africa	US and UK
Brands: Old Mutual, Mutual & Federal and Skandia	Brand: NEDBANK Group	Brand: Old Mutual, iWyze	Brand: Old Mutual Asset Management

At the end of 2012 Old Mutual Group has more than 14 million of customers and more than 54 000 employees around the world and adjusted operational profit for 2012 was £1,614 million and ROE (return on equity ) is 13% (Annual Report and Accounts. 2012:5).

Business model of Old mutual Group is formulated as *“We harness the resources and skills we have across the Group into our long-term savings, protection, banking and investment businesses to drive value for shareholders and other stakeholders”* (Annual Report and Accounts. 2012:6-7).

## 5.2. History

Even that Skandia is part of Old Mutual Group since 2006, I decided to include some Skandia’s history also, because Skandia has a long history and is quite big part of whole group.

### Early days of Skandia and Old Mutual

Old Mutual was established in 1845 in Cape Town in South Africa under name – “The Mutual Life Assurance Society of the Cape of Good Hope” by Scotsman John Fairbairn. In 1855 Skandia was founded in Stockholm in Sweden as insurance company and in 1870 Skandia introduced accident and life insurance. In year 1900 Skandia began its operations

in United States. Old Mutual international activities started by expansion of it's business to Namibia, Zimbabwe and Kenya in 1920, 1927 and 1930 respectively.

Also Skandia started its international activities early, and already in end of XIX century had offices in Christiania (now known as Oslo), Copenhagen, Hamburg, and Rotterdam, and had significant operations in St. Petersburg, Russia. By year 1889 Skandia's life assurance business included 7,000 customers. The major part of all customers was middle-class men, however working-class people had also growing interest for Skandia's insurance products. By the year 1890 Skandia had 50 employees. Skandia's expansion continued and in 1900 subsidiary in United States was opened; Skandia was the first non-British foreign insurance company to set up business in US ([www.fundinguniverse.com](http://www.fundinguniverse.com); [www.oldmutual.com/about/heritage.jsp](http://www.oldmutual.com/about/heritage.jsp))

### Time after World War II

After Second World War Skandia continued it's successful expansion abroad and in 1953 the first subsidiary in South America was opened – in Colombia and in 1955 the first subsidiary in Asia – in India. However, Indian subsidiary was closed down in 1971 because India nationalized insurance industry. In 1979 the company established Skandia Life UK in London. This company was one of the first to sell products – “unit-linked pension insurance” a form of insurance that lets the policyholder/customer invest a portion of the premium in a variety of investment alternatives ([www.fundinguniverse.com](http://www.fundinguniverse.com), Skandia History).

Old Mutual continued to grow after Second World War in South Africa and other countries in Africa and issued millionth policy in 1954, in 1973 acquired a shareholding in Nedcor Bank (renamed to Nedbank Limited in 2002). In 1986 Old Mutual made the first entry to UK with the purchase of Providence Capital ([www.oldmutual.com/about/heritage.jsp](http://www.oldmutual.com/about/heritage.jsp)).

### Year 1990 – to present time

In 1995 Old Mutual established first subsidiary in US by opening Old Mutual Investment Advisors in Boston, Massachusetts. Also subsidiaries in Hong Kong and Malawi were

opened in this year. In following years some more acquisitions in UK were made and headquarters of Old Mutual was moved to London in 1999.

*“Over the course of the 1990s, Skandia continued its tradition of expansion, and by the end of the decade had operations in more than 20 countries around the world, including Chile, the United Arab Emirates, China, and Poland. That decade also saw a major shift in the direction of the company. For 135 years, Skandia had focused on the insurance business; in the early 1990s, the company saw greater potential in the financial services industry and began to shift its core business in that direction”.* Skandia made series of sales and acquisitions in order to expand its financial services. In 1990 financial services was around 12% of total income, 50% in 1996 and even 70% in 1997. After shifting focus from insurance into financial services, adopted Skandia a new business model that was based on principle that Skandia is a wholesaler of financial services and has wide range of products based on external funds management. Selected and trained independent financial advisors then sold these products. ([www.fundinguniverse.com](http://www.fundinguniverse.com), Skandia History).

On February 3, 2006 Old Mutual completed its acquisition with Skandia, subsequently Skandia was delisted from London stock exchanges. However, Old Mutual saved brand Skandia and operates under Skandia brand in range of countries.

### 5.3. Strategy

Old Mutual formulated its strategy as *“To build a long-term savings, protection and investment group by leveraging the strength of our people and capabilities in South Africa and around the world. We will focus, drive and optimise our businesses to enhance value for customers and shareholders”* ([http://www.oldmutual.com/vpage.jsp?vpage\\_id=2265](http://www.oldmutual.com/vpage.jsp?vpage_id=2265)). Also in Annual Report and Accounts 2012 the business model sounds as *“We harness the resources and skills we have across the Group into our long-term savings, protection, banking and investment businesses to drive value for shareholders and other stakeholders”* (Annual Report and Accounts, 2012:6).

Both these two statements highlight importance of knowledge within the group: “strength of our people” and “resources and skills we have across Group”.

Moreover, Old Mutual Group defined five priorities in order to deliver strategy the best way:

1. Develop the customer proposition and experience;
2. Deliver high performance in all business units;
3. Share skills and experience across the Group;
4. Build a culture of excellence;
5. Simplify our structure to unlock value. (Annual Report and Accounts, 2012:6)

Again, one of the Old Mutual Group strategy priority assumed successful knowledge transfer in order to implement strategy and consequently to have competitive advantage.

#### 5.4. Knowledge vs Intellectual Capital in Skandia

Service organizations, which I mean Old Mutual Group is, employ a relatively large number of knowledge workers than other types of organizations. *“Know-how held by individuals in service organizations is an intangible but essential part of the service process and could become a competitive advantage”* (Chow, 2011:46).

According to Subramaniam and Youndt (2005) it is now quite common to use knowledge or intellectual capital as antecedents. Similarly, Nahapiet and Ghoshal (1998) use *“term intellectual capital” to refer to the knowledge and knowing capability of a social collectivity, such as an organization, intellectual community, or professional practice*” (Nahapiet and Ghoshal, 1998: 245). Or in the words that intellectual capital is *“the sum of all knowledge the firm utilize for competitive advantage”* (Subramaniam and Youndt, 2005: 451).

After analysis of Old Mutual Group / Skandia documents I found out that Old Mutual’s / Skandia’s management often use term *“Intellectual Capital”* when they talk about knowledge and *“Intellectual Capital Management”* when they talk about *“Knowledge management”*. According Skandia’s intellectual capital supplement 1994 intellectual capital can be defined as *“intangible values, which comprises both human capital and structural*

*capital. Human capital represents the knowledge, skills and capability of the individual employee to provide solutions to the customers. Structural capital consist of everything that remains when the employees go home: databases, customer files, software, manuals, trademarks, organizational structures, and so on ± in other words, organizational capability. Customer capital, i.e. the relationships built up with the customers, is a significant part of structural capital. Structural capital can be owned, which is not the case for human capital” (Skandia intellectual capital supplement 1994 cited in Mouritzen et al., 2001: 400).*

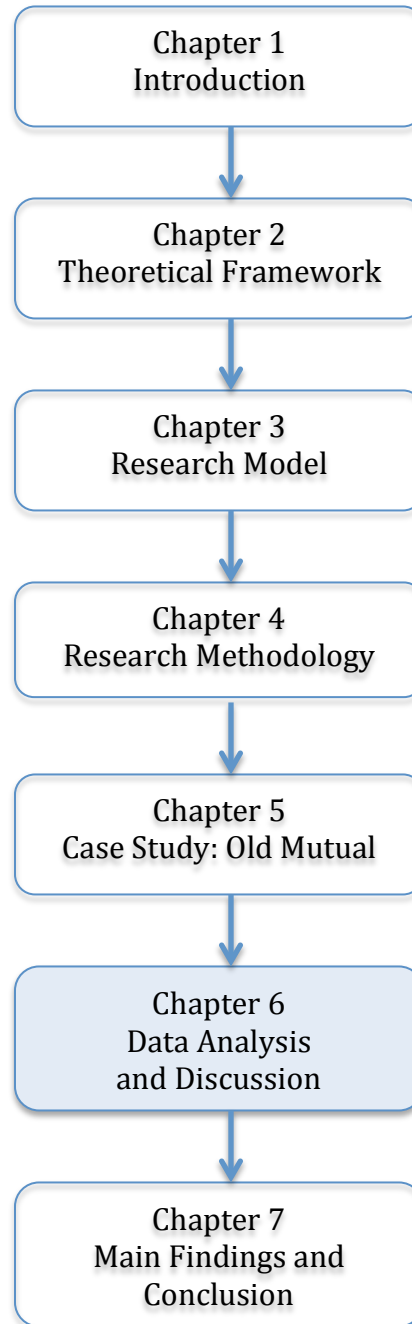
Skandia has a long history of knowledge management. Skandia was the first company that employed Intellectual Capital Director. And n 1994, Skandia began to publish intellectual capital supplements in addition to its financial accounting statement. Intellectual capital supplements of Skandia mostly concerned on mechanisms that make relationships between employees, technologies, processes and customers mobilized, and in these relationships the firm’s immaterial “hidden value”, interplay between human capital, organizational capital and customer capital, is presented (Mouritsen et al, 2001). So as we see, Skandia as part of Old Mutual Group has long history of management of firm’s knowledge as one of the important resources, that is “hidden value” or in terms of Barney (1991) resource that can give comparative advantage.

## 5.5. KnowledgeDirect

Skandia and Old Mutual use the Internet platforms to distribute financial advisors working in the subsidiaries around the world with necessary information, updates and detailed descriptions, this platform calls KnowledgeDirect or International Knowledge Direct – The technical planning hub (<http://www.skandiainternationalknowledgedirect.com>). Old Mutual Group’s financial advisers from different subsidiaries can use Skandia Investment Solutions, or KnowledgeDirect, which is built to provide advisers and investors with the power to control portfolios online in an efficient, customer-focused environment. It has the strength and capability to support their needs every time it occurs. The main topics that

employees can get information about is all topics in retirement planning, trusts and inheritance taxes, country-specific taxation rules and legal questions.

KnowledgeDirect is one of the examples of new ways of knowledge transfer nowadays between subsidiaries that are so geographically distant.



## 6. Data analysis and discussion

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The purpose of this chapter is to present findings established during the study with the aim to explore the knowledge transfer in Old Mutual with focus on national culture. The analytical part will be conducted by using the research model framework.

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### 6.1. Introduction

In this section I would like to present the analysis of national culture of Old Mutual subsidiaries in different countries. Following research model I decided to use, the following variables of national culture will be used: power distance and individualism/collectivism. As well as I would like to find out what countries has high tolerance for ambiguity, because Bhagat et al (2002) states that cultures with high tolerance for ambiguity are better in transfer of tacit knowledge. According to Bhagat et al., 2002 there are four possible combinations of these cultural dimensions: horizontal individualist, horizontal collectivist, vertical individualist and vertical collectivist (Table 2). After it I would like to look on specific mechanisms of knowledge transfer that Old Mutual Group applies in its business activities.

When it comes to operationalization of knowledge transfer I suppose examples of knowledge transfer, or how it looks in practice, can be any professional contacts between subsidiaries, meetings, gatherings, conferences, any projects involved people from different subsidiaries involved, as well as transfer of employees between subsidiaries are all ways of knowledge transfer.



















## 6.2. National culture of Old Mutual Group subsidiaries

The research model I am going to use also suggests that nature of knowledge to be transferred (tacit, explicit) influence on effectiveness of cross-border transfer. Major part of knowledge that Old Mutual Group is transferring between its subsidiaries are routines, rules and new products specifications. This type of knowledge is explicit and is easier to transfer. But also there are tacit knowledge that cannot be expressed in new insurance or bank products specification, but customer treatment, attitude toward firms goals and so on. But as it was discussed above culture of individuals – employees – is tacit.

In the table 3 below I gathered information about countries where Old Mutual Group has subsidiaries and Bhagat et al. cultural dimensions.

**Table 4. Old Mutual / Skandia subsidiaries. Cultural dimensions.**

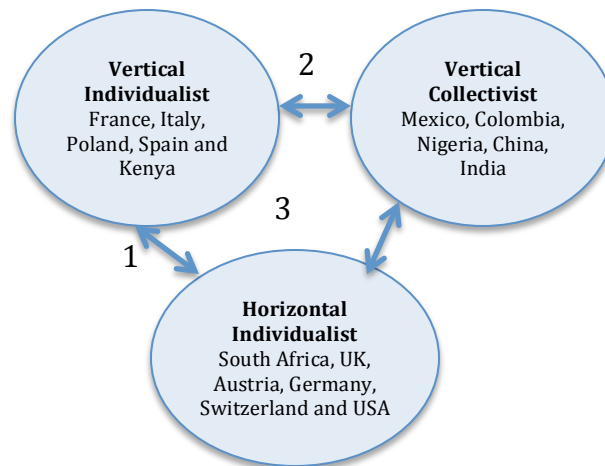
	Power Distance PDI	Individualism/ Collectivism IDV	(HI;HC;VI;VC; Bhagat et al, 2002)	Notes:
South Africa	49	65	Horizontal Individualism 	Higher tolerance for ambiguity (Bhagat, et al. 2002:215)
United Kingdom	35	89	Horizontal Individualism 	Higher tolerance for ambiguity (Bhagat, et al. 2002:215)
France	68	71	Vertical Individualism 	
Austria	11	55	Horizontal Individualism 	Higher tolerance for ambiguity (Bhagat, et al. 2002:215)
Italy	50	76	Vertical Individualism 	
Germany	35	67	Horizontal Individualism 	Higher tolerance for ambiguity (Bhagat, et al. 2002:215)
Poland	68	60	Vertical Individualism 	
Spain	57	51	Vertical Individualism 	
Switzerland	34	68	Horizontal Individualism 	Higher tolerance for ambiguity (Bhagat, et al. 2002:215)
Mexico	81	30	Vertical Collectivism 	

Colombia	67	13	Vertical Collectivism 	
USA	40	91	Horizontal Individualism 	Higher tolerance for ambiguity (Bhagat, et al. 2002:215)
Nigeria	80	30	Vertical Collectivism 	
Namibia	-	-		No data
Malawi	-	-		No data
Kenya (East Africa)	64	52	Vertical Individualism 	
China	80	20	Vertical Collectivism 	
India	77	48	Vertical Collectivism 	

So, from the table 3 above we can see that there are only three combinations of cultural dimensions presented in Old Mutual subsidiaries: five Vertical Individualist (France; Spain; Italy, Kenya and Poland); six Horizontal Individualist (South Africa; UK; Austria; Germany; Switzerland and USA) and five Vertical Collectivist (Mexico; Colombia; Nigeria; China and India). Old Mutual do not have any subsidiary in country with horizontal collectivist culture. So, according to Bhagat et al. (2002) figure 6 there are all three possible levels of difficulty in knowledge transfer between subsidiaries in Old Mutual Group: difficulty 1 – less difficult; difficulty 2 – more difficult and difficulty 3 – most difficult knowledge transfer. However, the less difficult knowledge transfer find place in major knowledge transfer - between Vertical Individualist and Horizontal Individualist and is presented by France, Spain, Italy, Kenya and Poland from vertical individualist side and South Africa, UK, USA, Austria, Germany and Switzerland from horizontal individualist side (difficulty 1). Secondly, by difficulty 2 we can find knowledge transfer between horizontal individualist countries (South Africa, UK, USA, Austria, Germany and Switzerland) and vertical collectivist (Mexico, Colombia, Nigeria, China and India). The most challenging knowledge transfer (presented by difficulty 3) is between horizontal individualist (South Africa, UK, USA, Austria, Germany and Switzerland) and vertical collectivist (Mexico, Colombia, Nigeria, China and India). Moreover, I would like to mention that according to Bhagat et al. (2002) and Lucas (2006)

knowledge transfer between countries with same or similar cultural dimensions is the easiest and happened smoothest (figure 6) and is factor of success in knowledge transfer.

The figure 8 illustrate the presentation above.



**Figure 8. Cross-Border knowledge transfer between Old Mutual Group Source: Own, based on Bhagat et al., (2002).**

1-less difficult knowledge transfer, 2- more difficult knowledge transfer, 3 – most difficult knowledge transfer

### 6.3. Findings from interviews and documents

Further, I would like to discuss how Old Mutual Group manage knowledge transfer around the globe and present how employees perceive it and how it looks like in practice.

It is obvious that knowledge transfer between subsidiaries is successful when every subsidiary has product development that leads to good result and competitive advantage for the whole company. Annual Report and Account 2012 gives us whole information about contribution of subsidiaries and every business unit to whole group, so we can use that information as success indicator. Old Mutual Group subsidiaries have very good financial results – Adjust Operational Profit for 2012 is £1,614m.

1. Long-term savings has largest contribution to the group and is 58% (of AOP-adjusted operational profit), which is 9% more than year before, and also this business unit experiences the growth in profits in emerging markets.
2. Banking business unit presented by Nedbank contribute with 32 % (of AOP – adjusted operational profit).
3. Short-term insurance contribute to the Group with 3% of total AOP for 2012.
4. Asset management contribute with 7 % to AOP for 2012.

The opinions of employees in organization are very important and reliable source of information.

If we will look on employees attitude toward globalization profile of Old Mutual and if they find it as attractive we can find for instance following statements of employees:

Adam Guinea, Manager Finance Operations, Old Mutual Asset Management, US subsidiary (Horizontal Individualist culture): *“international mobility and career opportunities is a big thing”*, further he shares his experiences about interaction of different subsidiaries at time he was working in UK Old Mutual subsidiary: *“When I was in London there were always people from South Africa that were coming to Old Mutual PLC, there were people from US and vice versa: people from London going to other areas within the business. So for me, one of the big attractions as an employee is that through international mobility I was being able to go to different regions, working in different regulatory regimes and different cultures”* (Interview Adam Guinea, Old Mutual “Meet our people”). Another employee from US subsidiary - Old Mutual Asset Management - Laura Woolfson, Media and Communication Associate repeat the same idea as Adam Guinea – *“I really enjoy doing, getting to travel, meeting all the people from different affiliates”* (Interview Laura Woolfson, Old Mutual “Meet our people”).

Molly Mugler , Head of Legal and Secretary in American subsidiary also shares the same idea *“I like being part of global company; there are people who I may can call worldwide. So I have colleagues across US, of course, as well as in London, Cape Town and Sweden. Being part of this network has been given me an opportunity to sort of understand legal systems, differences and distinction in legal system and principles, and, in fact, cultural basis underling*

*these differences and it is wonderful to have high level perspective of how we are like and how we differ in my particular field*“(Interview Molly Mugler, Old Mutual “Meet our people”).

Another Old Mutual employee from Poland (Vertical Individualist culture), internal communication specialist - Agata Romanowska says *“Working for Old Mutual actually means that I have opportunity to learn even more about culture and communication”*. And further in interview she says *“I just found absolutely fantastic to learn that we have a lot of similarities between us, between polish and South African culture... Seeing, meeting all those people from all over the world, not only South Africa, but also other parts of Europe and America makes you feel being part of something special”* (Interview Agata Romanowska, Old Mutual “Meet our people”).

Another employee from Mexican (Vertical Collectivist culture) subsidiary of Old Mutual, Jorge Galvis , Head of IT, repeat the ideas above *“We have synergies around the world. We have seen that this delivers more and more opportunities to us as employees”* (Interview Jorge Galvis, Old Mutual “Meet our people”).

Juliana Uribe, Affiliations and Branch Leader from Colombian subsidiary (Vertical Collectivist culture) after her participation in South African football tournament from Colombian subsidiary shared her experiences *“I really enjoyed the time in South Africa because it gave me the chance to get a better understanding of the Group and the business itself and it motivated me to keep working hard and to continue to grow in this company”* (Interview Juliana Uribe, Old Mutual “Meet our people”).

As well Brett Wilson, Chief Actuary at Old Mutual-Guodian, China/UK (Vertical collectivist/ Horizontal individualist) confirms *“It is really is a privilege to be able to wake up in the morning and have the opportunity to interact and learn from colleagues from very different culture”* and Konstantin Kuba, project portfolio manager at German (Horizontal Individualist culture) subsidiary says *“its truly exiting international environment”* (Interview Brett Wilson, Konstantin Kuba, Old Mutual “Meet our people”).

So, we can see that employees from different subsidiaries from all three groups of different cultural dimensions enjoy working in global company and name this fact as one of the most attractive and valuable for them as employees.

After analysis of all interviews I can make conclusion that international mobility is widespread and usual practice in the Old Mutual Group: for instance, Adam Guinea, Manager Finance Operations, Old Mutual Asset Management, US was working in London Old Mutual office before; Brett Wilson, Chief Actuary in Chinese subsidiary was working in UK office before joining Chinese subsidiary. Another example in Latin America – Jorge Galvis, Head of It in Mexico moved there from Colombia where he was working for Old Mutual before. And there are many such examples of international mobility of staff. And this practice confirms by article "Sharing knowledge and ideas" on Old Mutual website, authors of article claim that *"one of the best ways to share knowledge and expericne is to move people around the Group"*. Futher in article, other employees transfers are mentioned: Katie Murray moved from Group Head Office (in UK) to become Finance Director of Old Mutual in South Africa. Another example is Steven Levin transfer: *"his experience of launching successful products in South Africa will help us expand our product range across the Long-Term Savings businesses in UK"*, so its opposite transfer if we compare with Katie Murray transfer.

([http://www.oldmutual.com/responsibleBusiness/responsibleBusinessDisplay.jsp?caseStudy\\_id=16160](http://www.oldmutual.com/responsibleBusiness/responsibleBusinessDisplay.jsp?caseStudy_id=16160)). Obviously, this practice of international mobility as way of knowledge transfer works good for Old Mutual Group that has long history of international acquisitions and transfer of different business units. Financial results for 2012 presented above shows

As we can see, usually, transfer of key employees in Old Mutual Group happens between subsidiaries with same or similar culture or between subsidiaries where knowledge transfer is less difficult (difficulty 2 in Bhagat model, figure 6 and 8). For example, from Colombia to Mexico - both are vertical collectivist cultures; from UK to South Africa and vice versa – both are horizontal individualist cultures; from UK to USA – both horizontal individualist cultures. However, there are number of exceptions, for example transfer of Brett Wilson, from UK to run Chinese subsidiary – from horizontal individualist culture to

vertical collectivist culture. This type of transfer according to Bhagat et al. (2002) as shown on figure 8 is the most complicated and knowledge transfer is most difficult. It can be partly confirmed by Brett Wilson words *“The Business environment in China is always changing, well; it has its challenges, but certainly keeps life very interesting. It’s also very exiting to be working for joint venture at the key time of its development. The process of searching for and working with new local shareholders is one of the implementing company’s strategy have given me exposure in so many more facets of the business I would not have in larger and more established company”* (Interview Brett Wilson, Old Mutual “Meet our people”).

Futher, I would like to mention that many employees name different national and international projects that they have been part of. For instance, Claudia Mayorga from Colombia’s subsidiary talk about her participation in project Skandia University, which based on idea of knowledge sharing between employees, internal learning, in this example in Colombia - *“I am also part of teacher’s team in Skandia University that has taught me a lot of things: learn how to tell everyone that you know, transmit your knowledge”* (Interview Claudia Mayorga, Old Mutual “Meet our people”). This example confirms Chow (2000) statement that members of collectivist cultures would share knowledge more openly with in-group than out-group members.

Another example of projects that involved employees from different subsidiaries and different cultures was project where Peter Fleming, Head of Customer Investments from Skandia UK was involved he tells that project was about *“to bring together the Skandia UK Investment Administration Team with Old Mutual Celestia Investment Administration Team. There was portably involved multiply team across UK, South Africa and India. All workers had the common goal, shared great spirit of commitment and getting the job done”* (Interview Peter Fleming, Old Mutual “Meet our people”).

As it was named in chapter 5 one of the strategic priorities of Old Mutual Group is to share skills and experiences across the group. In other words efficient knowledge transfer is strategic objective. So, as part of achivement of this goal Old Mutual Group completed some activities in 2012:

- Joint voice and data IT outsourcing between OMSA, Mutual & Federal and Nedbank;
- Rolled out the South African mass market offering into Mexico and commenced roll-out in Swaziland, and used South African back-office to support product launches in Colombia and Mexico;
- Grew iWYZE (Insurance products) through collaboration between OMSA and Mutual & Federal;
- Combined Old Mutual Asset Managers UK and Skandia Investment Group to create Old Mutual Global Investors (Annual Report and Accounts, 2012: 24).

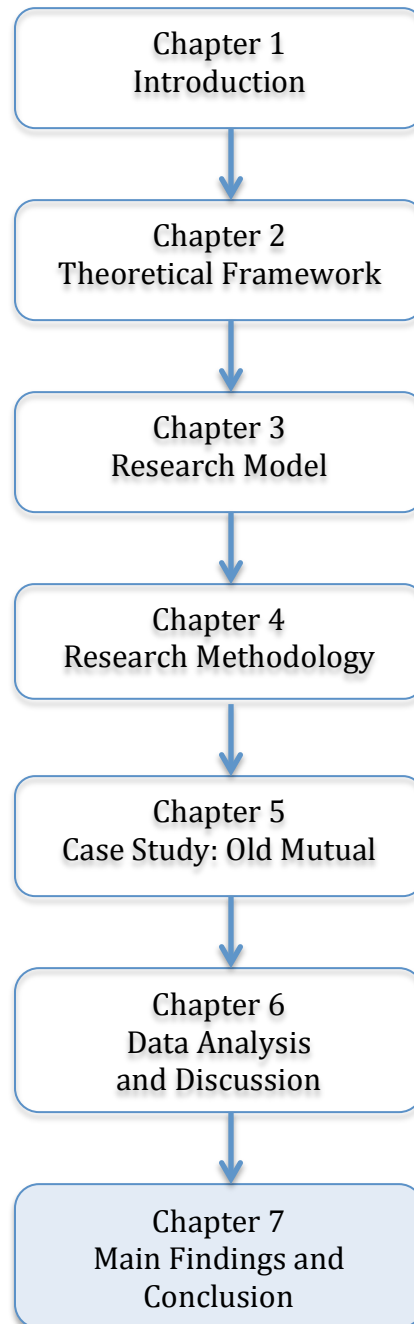
Old Mutual Group understands the importance of cultural diversity of the group *“Having a diverse workforce strengthens our organization by broadening our insights into many communities, and generating brand awareness and trust. It also encourages a collaborative culture, another strategic imperative for us. We also believe that diversity is a powerful catalyst for idea generation and innovation”* (<http://www.oldmutual.co.za/about-us/transformation.aspx>).

From other side Old Mutual Group has high focus on right organizational culture, culture of excellence, and is named as one of five strategical priorities, and that is very important to develop culture which helps to have efficient knowledge transfer across the group.

According to Old Mutual Group management the loss of key staff is one of the most important risk for the company. One of the policies to prevent key staff that possesses knowledge to leave group is “Global Leader Potential Program”. Another example is formulation of responsibility politics of Old Mutual Group, Old Mutual Group publish responsible business report every year, where results of responsible investment, responsibility to customers, employees, communities and responsible environment management are presented. For instance, identifying training needs, creation of individual development plans, “Career choice model” – identifying right career path for employees, are all good examples of how Old Mutual work to develop good practices of knowledge transfer within the group.



To sum up, in this chapter I made an attempt to analyze information about knowledge transfer and national culture in Old Mutual Group. I gathered information regarding national culture dimensions of counties where Old Mutual Group has its subsidiaries. Further, I analyzed interviews and documents and other public information in order to draw some conclusions about what role plays national culture on knowledge transfer, as well as I identified what activities Old Mutual do for more efficient knowledge transfer.



## 7. Main findings and conclusion

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In conclusion chapter, I would like to give summary on the entire master thesis; main conclusions of discussion chapter and the answer to the main purpose of thesis is clarified. Also I would like to include limitations of research I met and future research opportunities.

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This master thesis aims to investigate national culture influence on knowledge transfer in MNC, and investigate how national culture of Old Mutual Group's subsidiaries affects knowledge transfer and how Old Mutual Group work to have efficient transfer of experiences and knowledge within the Group. This case study is employed to give example of knowledge transfer in long-term savings, insurance, banking and investment MNC that is service organization where employee's knowledge and efficient knowledge transfer is key resource for success. The selected MNC has subsidiaries around the world, in Africa, Europe, America and Asia and is market leader in many business units, has long history of internationalization and has very good financial results.

To carry out this research I used case study method and used publicly available Old Mutual Group documents and interviews of its employees from subsidiaries around the world. On the one hand I analyzed interviews of Old Mutual Group employees and on the other hand I tried to find out proof or disproof to understand nature of knowledge transfer processes.

After analysis of national culture according Bhagat et al. (2002) three combinations of cultural dimensions were identified in Old Mutual subsidiaries: vertical Individualist (France; Spain; Italy, Kenya and Poland); horizontal Individualist (South Africa; UK; Austria; Germany; Switzerland and USA) and vertical collectivist (Mexico; Colombia; Nigeria; China and India). So according to the model of Bhagat et al. (2002) knowledge transfer between subsidiaries might be easy in some cases and complicated in other cases. Based on employee's interviews conclusion that the easiest knowledge transfer happens between subsidiaries with similar culture, for instance staff movement between Colombian and Mexican subsidiaries (both vertical collectivists) or within same culture – for example

internal learning - Skandia University in Colombia, this practice confirms that individuals from collectivist cultures are more likely to share knowledge with its in-group members. Another example is staff movement between UK and US subsidiaries (both vertical individualists); frequent international projects between subsidiaries. However, there are situations where cultures are so different that according Bhagat et al. (2002) model knowledge transfer can be more difficult: between vertical individualists and vertical collectivists and most difficult between vertical collectivists and vertical individualists. In such situations organizational culture of Old Mutual Group play its role and positive and responsible attitude of employees seems to be helpful to have good knowledge sharing within the group. However, limited information was available in order to make more specific conclusions.

Moreover, after analysis of employee's interviews and documents I found out that Old Mutual Group deals very efficient with challenges: organizational culture that enable knowledge transfer regardless national culture, international projects and staff movement around the group are examples of how Old Mutual Group handle it.

To sum up I would like to highlight following points about national culture influence on knowledge transfer:

1. Positive attitude toward global character of the company; employees emphasized ability to move around the Group / countries / business units as one of the most attractive parts of working in Old Mutual Group;
2. Movement around group (labor mobility): efficient knowledge transfer as well as career development for employees;
3. International project and meetings with subsidiaries from different countries involved.

As I named before organizational culture of Old Mutual Group looks to have importance. So, probably results of research could be different in corporations with other organizational culture, so implication of organizational culture can be interesting topic to evaluate in terms of knowledge transfer practices.

My research had some limitations, because methods used in research did not allow me to get the complete picture of knowledge transfer in such a big MNC as Old Mutual Group. More specific qualitative information is needed to be able to make more specific conclusions about national culture influence on knowledge transfer processes between subsidiaries. Obviously, long-terms observations of international projects and following in-depth interviews are needed to more comprehensive information for analysis, especially in terms of negative aspects / barriers that national culture can create in knowledge transfer process and consequently activities to eliminate this impact. I found out that main disadvantage, to base analysis on publicly available information, is that this do not allow to get information about difficulties company meet in terms of national culture influence, only glance picture is available.

### **Future research**

Move to the next research topic I see that more and more communication between subsidiaries in MNCs, including Old Mutual Group take place online through online communities, audio-visual conferences and so on. And this is usual practice of many MNC nowadays and Old Mutual Group is going in this direction too. This type of communication is environmentally responsible and not least cheaper. However, national culture of people in different subsidiaries can play some role in this type of communication / knowledge sharing. According Ardichivilli et al. (2006) during online communication importance of some cultural values are less important than during physical communication; Ardichivilli et al (2006) made attempt to explain this phenomenon and found out employees can be less hesitant to participate in online discussions since status of community members is unknown. So, the further research of culture influence on knowledge sharing through online communication would be interesting and will advance present research.

## Appendix

### Appendix 1 Interview transcripts from “Meet our People”, Old Mutual

Video interview are accessed from  
[http://www.oldmutual.com/about/meetOurPeople.jsp?person\\_id=13985](http://www.oldmutual.com/about/meetOurPeople.jsp?person_id=13985), Retrieved:  
10.05.2013

Number of interviewees: 13  
Countries presented: 8 of 15 (Old Mutual subsidiaries)  
Date of interviews: august 2012

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**Name:** Adam Guinea

**Position:** Manager Finance Operations

**Subsidiary:** Old Mutual Asset Management

**Country:** US

*“I think the greatest thing about Old Mutual, going back to when I first joined in London, was that I was recently off from the break in Australia and looking for adventures and to advance my career in London at the time. Appeal of Old Mutual was at it was still a big company but operation in London was small-scale enough such that you can get greatest pleasure to see new people and you learn a lot; you get to see how company runs. That was big adventure for me, being close to action like that, that opportunity impresses people in my role. I think being part of Old Mutual Group, international mobility and career opportunities is big thing, seen not applied only to myself, but others across the Group. When I was in London there were always people from South Africa that were coming to Old Mutual PLC, there were people from US and vice versa: people from London going to other areas within the business. So for me, one of the big attractions as an employee is that through international mobility I was being able to go to different regions, working in different regulatory regimes and different cultures”.  
Careewise and from personal point of view it’s extremely beneficial for anybody and just as a company I think it’s a great place to work. Culturally, it is a little bit different to perhaps some of the bigger financial institutions that are maybe based in the US or in the UK. Having come from South African background giving unique flavor.”*

**Name:** Agata Romanowska

**Position:** Internal Communication Specialist

**Subsidiary:** Skandia International

**Country:** Poland

*“Working for Old Mutual actually means that I have opportunity to learn even more about culture and communication that is outside Europe, which makes that whole job and whole work even more and more exiting because South Africa has always been exotic and totally interesting, unfortunately unknown country for me. So now having the opportunity and having contacts with people from South Africa from Old Mutual in Cape Town I just found absolutely fantastic to learn that we have a lot of similarities between us, between polish and South African culture, that they are also open-minded and exiting and full of enthusiasm as we are. And that make the whole thing even more and more interesting. It makes me kind of proud to be part of such huge and international group although it sounds a little bit cliché, but it is how it is. Seeing, meeting all those people from all over the world, not only South Africa, but also other parts of Europe and America makes you feel being part of something special. For me as communication specialist to find out how they communicate was very interesting”.*

**Name:** Claudia Mayorga

**Position:** Corporate Segment Commercial Manager

**Subsidiary:** Skandia Colombia

**Country:** Colombia

*“I’ve been working for Skandia for about 4,5 years. I am part of sales team. In my career I had opportunity to be in different positions like asset manager working with companies at the beginning, then I went to continue working with companies but in different products like voluntary fond and I am part of institutional business working with big companies in Trust funds and Special Business in Trust company. My experiences are wonderful; there are no enough words to explain that. In the personal and professional manners, I did my postgraduate studies and I had all support from the company and from my leader and my team. I am also part of teacher’s team in Skandia University that has taught me a lot of things: learn how to tell everyone that you know, transmit your knowledge. Also learn how to treat different people, because some people are more difficult. When you work with agents, you learn how to treat them, how to face customers. It is different thing to work with single persons or toward the whole company. So its very exiting experience.”*

**Name:** Laura Woolfson

**Position:** Media and Communication Associate

**Subsidiary:** Old Mutual Asset Management

**Country:** US

*"I like working here because every day is a little bit different, its not like in other companies I worked for and doing up the same things day and hour. I really enjoy people, I think coming to work is a lot of fun, I think that's make it important, its not like nine to five to me, its something I enjoy doing on the daily basis.*

*Since I started in Old Mutual I had a little bit of en expansion taking on Sales and Marketing Groups and I was also privileged to be part of Conference team and that is something that I really enjoy doing, getting to travel, meeting all the people from different affiliates and stuff like that. That's really nice to be able to do that.*

*One of my biggest accomplishments with Old Mutual is working for the charitable foundation, I think being able to help local charitable events and different people that I are not that privileged has been absolutely important".*

**Name:** Peter Fleming

**Position:** Head of Customer Investments

**Subsidiary:** Skandia UK

**Country:** UK

*"I'm running Investment Administration Department. I am enjoying working in Skandia, principally because of great people we've got working here. We've got some remarkable talented administrative working on all levels. And that we have our talents let us deliver incredible results for our customers. Skandia is really great place to work where you excel your job and superb career opportunities; development program is in place, really supportive staff and marketable opportunities for everybody.*

*My one of the most rewarding accomplishments at Skandia was to bring together the Skandia UK Investment Administration Team with Old Mutual Celestia Investment Administration Team. There was portably involved multiply team across UK, South Africa and India. All workers had the common goal, shared great spirit of commitment getting the job done. Its really superb achievement that I am really proud of and I think everyone being involved felt being part of something special".*



**Name:** Molly Mugler

**Position:** Head of Legal and Secretary

**Subsidiary:** Old Mutual Asset Management

**Country:** US

*"I Think Old Mutual is special because it has wealth of opportunities to have very varied work experience and whole range of projects and assignments that will take them onto all kind of different levels of capabilities and the benefit for me is having been here for ten years already where I will never stop growing and developing in this position.*

*I like being part of global company; there are people who I may can call worldwide. So I have colleagues across US, of course, as well as in London, Cape Town and Sweden. Being part of this network has been given me an opportunity to sort of understand legal systems, differences and distinction in legal system and principles, and, in fact, cultural basis underling these differences and it is wonderful to have high level perspective of how we are like and how we differ in my particular field.*

*One thing that I am very proud of is being part of a team that created and implemented equity plans. It was very complex project and we started pretty much from scratch and created plans that are addressed our firms needs ad well as needs of Old Mutual PLC but the amazing was the process by which we did it and we created team of internal experts from all the disciplines within the company. And we met and worked together, well, over one year identifying issues, resolving them and made arrangements that worked. I think collectively we made something that is pretty much amazing".*

**Name:** Konstantin Kuba

**Position:** Project Portfolio Manager

**Subsidiary:** Skandia International

**Country:** Germany

*"I am the head of Project Management in Skandia Retail Europe. I am working in Berlin, Germany's capital. Together with my colleagues I am coordinating all the projects in Austria, Switzerland, Poland and Germany. So these countries are forming our business unit – Skandia Retail. I really like my job, its challenging, we are working in truly exiting international environment and its bringing a lot of fun and I like having fun. Before working in project management I started my career as In-house broker consultant, short time later I became leader of the Customer Service Department. And this shows one the brilliant thing at Skandia: you might evolve in any direction you wish and not minor important the company offers its employees the great scope projection, so that everyone can make the difference".*

**Name:** Jorge Galvis

**Position:** Head of IT

**Subsidiary:** Skandia Colombia and Mexico

**Country:** Mexico

*“ I am head of IT for Old Mutual operations in Latin America in Colombia and Mexico. I started working in Skandia in Colombia in 1997 and now live in Mexico. Being part of Old Mutual Group means a lot of opportunities basically in three fronts. First one is the fact that we put our customers in the center that means that we treat them fairly, we deliver upon our promises and more important – we learn from their experiences and needs, continuing building ourselves up. Second component is that we have synergies around the world. We have seen that this delivers more and more opportunities to us as employees and our customers. This means just thinking about customers as human beings that regardless the position they are putting their feet in the world they still have needs very similar all around the place, so from having house of your dream and studying in right school to just living your family life free of debt upon your death. So all those needs are the same regardless where you are. And that’s important when you have company built upon these synergies, these learnings around the Globe. And the third one is having aligned leadership all from the top, from the Old Mutual top level through Emerging Markets LTS and upon Calls operations in Latin America. The second component is very important, because we are delivering direct services around business needs. That means bringing things like products from Mexico to Colombia and products from South Africa to Mexico. And the last part of that experience is very important component of this development, as we speak, which is creation of our bigger capability in the retail mass model with the learnings from South Africa and opportunities being created from the global new businesses all around the Globe in emerging markets.”*

**Name:** Kerrin Smith

**Position:** Head of Boutique Management

**Subsidiary:** Old Mutual

**Country:** South Africa

*“I work in investment area for Old Mutual in South Africa in Cape Town. Being part of Old Mutual is really great because you have the opportunity in your career to be exposed to such a massive variety of different jobs, different challenges. In the time I worked for Old Mutual I’ve headed the marketing area, I worked in product development and now I am working in investment area, all very different jobs, very different challenges and I keep me fresh and interested. So opportunities are for you as part of this global organization are really endless and its up to you in terms of what you make out of it. The other great thing about working in Old Mutual is that because of our size we get to do things in really meaningful way. If we launch a new products or we change the way we do things its actually affect the whole industry. So you really feel lucky when you change the environment, change the industry”.*

**Name:** Siboniso Nxumalo

**Position:** Equity Analyst

**Subsidiary:** Old Mutual

**Country:** South Africa

*"I work for Old Mutual Investment Group, Asset Management and I am equity analyst in South Africa, Cape Town. Initially when I started my training I came here on the article of Trial program as a trainee and after that I finally got employed by Asset Management. And to me because of being trainee in different organizations, in different parts of business of Old Mutual it gives you exposure to choose what it is you want to find, what it is you are passionate about, what you are interested in and then to perform that. And in the environment of the big company you can learn from experienced people and you can learn from a lot of people, your ideas can be challenged and environment is very nourishing and challenging. This is why I love being part of Old Mutual".*

**Name:** Juliana Uribe

**Position:** Affiliations and Branch Leader

**Subsidiary:** Skandia Colombia

**Country:** Colombia

*"I've been working for Skandia since 2005 where I started at as a Pension Bond Area Leader. I currently work as an Affiliations and Branches coordinator in the operations team and I am involved in a project related to the development of new products according to the OMSA Group strategy. My career at Skandia has been full of rewarding experiences, not just in the professional field where I have had the opportunity to grow but also in my personal one. I would like to mention one of the most amazing experiences that I have had in my life, I was chosen to represent Skandia Colombia, as a member of the New Markets team, to play in a football tournament, which took place in Cape Town last May. I really enjoyed the time in South Africa because it gave me the chance to get a better understanding of the Group and the business itself and it motivated me to keep working hard and to continue to grow in this company."*

**Name:** Artur Frelek

**Position:** Head of Product Development

**Subsidiary:** Skandia International

**Country:** UK

*"I joined Skandia in 1999, I've been with company from very beginning and I had opportunity to really, really learn this organization and work for different areas: actuarial, finance, marketing, product development. My current job allows me to work in international projects, to work with inspiring people and to create new things and this time not single market, but on multi-market level. Skandia is friendly company and creates opportunities for employees in terms of professional and personal development".*

**Name:** Brett Wilson

**Position:** Chief Actuary

**Subsidiary:** Old Mutual-Guodian (China)

**Country:** UK / China

*"I work for Old Mutual-Guodian, Old Mutual joint venture in Beijing. It is thrill working in the capital city in the one of world's fastest growing economies. The Business environment in China is always changing, well; it has its challenges, but certainly keeps life very interesting. It's also very exiting to be working for joint venture at the key time of its development. The process of searching for and working with new local shareholders is one of the implementing company's strategy have given me exposure in so many more facets of the business I would not have in larger and more established company. But the best part of working for this company is its people. It is really is a privilege to be able to wake up in the morning and have the opportunity to interact and learn from colleagues from very different culture. "*

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