Asia Research Centre
Copenhagen Discussion Papers

2 **2005 June**

Moderating Effects of Culture in Transfer of Knowledge: A Case of Danish Multinationals and their Subsidiaries in P.R. China and India

Verner Worm
Xiaojun Xu
Jai b.P. Shinha

Copenhagen Business School
HANDELSHØJSKOLEN

MODERATING EFFECTS OF CULTURE IN TRANSFER OF KNOWLEDGE: A CASE OF DANISH MULTINATIONALS AND THEIR SUBSIDIARIES IN P.R. CHINA AND INDIA

Verner Worm
Asia Research Centre
Copenhagen Business School
vw.int@cbs.dk

Xiaojun Xu
School of Management, Fudan University
xuxjbin@163.com

Jai B. P. Sinha
ASSERT Institute of Management Studies
assert@sancharnet.in

ABSTRACT

By drawing on a selective review of literature, we propose that the culture of Danish multinationals and transnational organizations interface with the Chinese and Indian societal and managerial cultures in order to create hybrid cultures in Danish subsidiaries in P. R. China and India. The hybrid culture moderates the relationships between the forms of knowledge and internationalization of multinationals on one hand and the transfer of knowledge on the other. It is postulated that stable cultural frames of the Danes and Chinese managers, both having stable cultural frame, will require long drawn efforts to overcome the cultural distance and transfer the various forms and levels of knowledge in the initial years of the subsidiaries. On the other hand, Indians' style of switching their cultural frames will create less entry problems but more recurring problems once Danish multinationals will get going. Once the postulates are empirically validated, potential implications for strategic interventions are briefly discussed.

Keywords: *Knowledge transfer, culture, MNCs.*

INTRODUCTION

There is a growing consensus that the world economy has transitioned from the Industrial to Information Age where knowledge rivals traditionally crucial natural resources for enabling organizations to have competitive advantages (Drucker, 1993, 1999; Porter, 1990; Senge, 1990; Stewart, 1997). The realization of the importance of knowledge has resulted into the proliferation of two overlapping streams of research (Choo & Bontis, 2002). The first focuses on the nature and forms of knowledge, capability and process to create, apply and disseminate knowledge by selecting appropriate channels to those who may have absorptive capacity to receive and apply knowledge, and in turn create of new knowledge for further dissemination and application. The second line of approach draws directly on the conceptualization of organizations as a special configuration of specific knowledge (Bontis, 1998; Bontis 2001; Edvinsson & Malone, 1997; Edvinsson & Sullivan, 1996; Stewart, 1991; Stewart 1997; Sveiby, 1997; Xu, 2004). This approach emphasizes the interactive processes within which organizational learning occurs (Argyris & Schon, 1978; Argyris & Schon, 1996; Polanyi, 1966; Grant, 2000; Nonaka, 1995; Spender, 1996; Winter, 1987; Zahra & George, 2002) in order to create knowledge that serves as an intellectual capital for the organizations (see Serenko and Bontis, 2004 for a comprehensive review of the literature).

Organizations tend to create and expand their knowledge stock through both internal as well as external sources (Cohen & Levinthal, 1990; Hansen, Nohria & Tierney, 1999; Harrigan, 1985; Kogut, 1988; Leonard, 1995; Teece, 1986). However, internal sources can be more readily taped than the external ones (Gupta & Govindarajan, 1991; Gupta & Govindarajan, 2000). Once organizations realize that the knowledge they have accumulated can enhance their competitive advantages further by crossing their national boundaries, they move to other national locations. If their knowledge cannot be transferred through licensing, they establish their own subsidiaries (Hennart, 1982). Because of a close relationship between MNCs and their subsidiaries, MNCs generally have superior ability and willingness to create and transfer knowledge more effectively and efficiently in the parent-subsidiary context than through external markets (Gupta & Govindarajan, 1991; Gupta & Govindarajan, 2000). Furthermore, the extent and nature of knowledge creation and transfer depend on the nature of the parent-subsidiary relationships.

The nature of the parent-subsidiary relationships varies as a function of the extent of internationalization of MNCs' operations. Scholars have dealt with two models of parent-subsidiary relationships having bearing on creation and transfer of knowledge. One of them conceptualizes such relationships as that of a principal and its agent (Chang & Taylor, 1999; Eisenhardt, 1989; Jensen & Meckling, 1976; O'Donnell, 2000; Roth & O'Donnell, 1996). A multinational as the principal adopts a controlling strategy so that the agent, its subsidiary, performs as designed and directed by the principal for adding value to the principal's products and services. The principal transfers only the knowledge that is instrumental to meet its standards of quality and quantity of products and services. The knowledge flow is one way downward from the principal to the agent that can at best give feedback to the principal to act upon and improve its strategy and decisions.

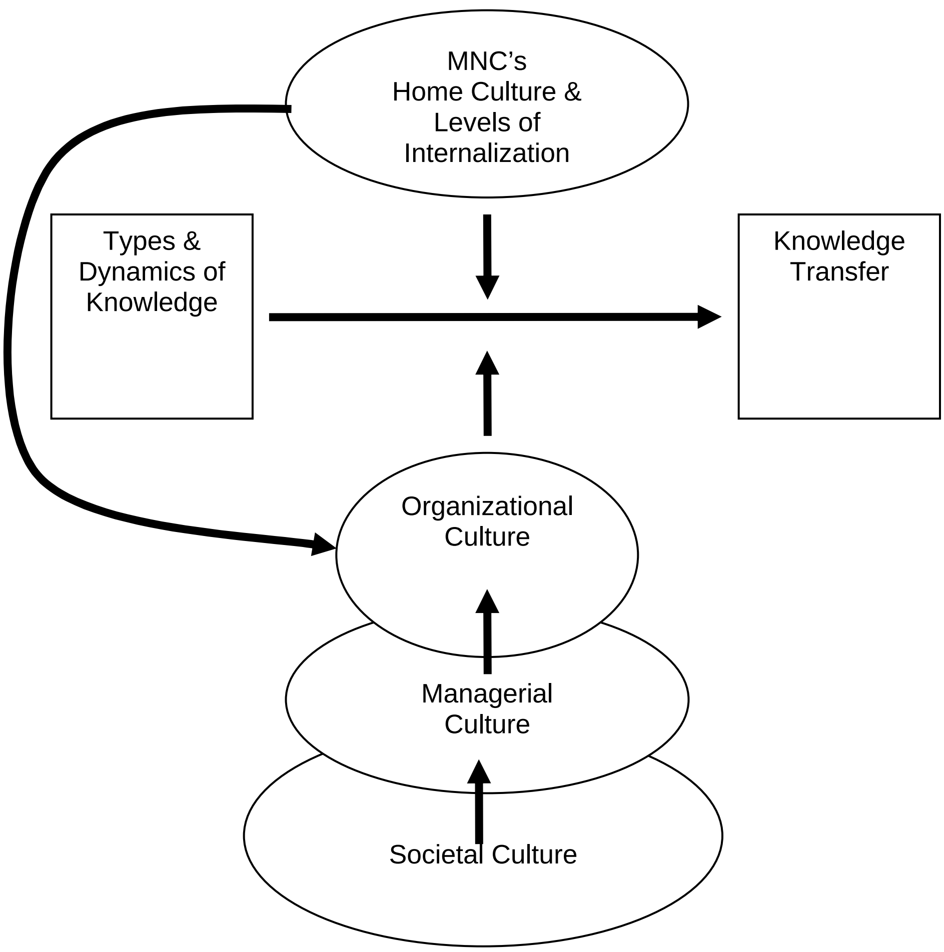
The second model views the parent-subsidiary relationships as that of interdependence (Ghosal & Bartlett, 1990, Birkinshaw & Hood, 1998; Rugman & Verbeke, 2001). As multinationals evolve into transnational or global companies, they tend to gain competitive advantage internationally by allowing each unit to learn from its unique environment and share its knowledge among the multinational network. The headquarter facilitates the sharing process through the socialization and other formal integrative mechanisms. In other words, MNCs' controlling or sharing strategy for the transfer of knowledge has been explained entirely in terms of the imperatives of their levels of internationalization.

It is surprising that the effects of culture on the choice of controlling or sharing strategy have been almost totally glossed over. Starting from the Hofstede's (1980) pioneering work on culture's consequences for organizations, there have been a few studies showing that culture indeed affects the transfer of knowledge (Bhagat , Kedia, Harveston, & Triandis, 2002; Busenitz, et al., 2000; Jin, 2001; Hofstede, 1993; Kedia & Bhagat 1988). Culture is defined as “the programming of mind” (Hofstede, 2001) that fosters a mindset in the people of a geographical area to think, feel, and act in specific ways depending on how they view, interpret, and value themselves as well as other people. Scholars such as Adler (2002) and Perlmutter (1965) distinguished two mindsets of the people in the MNCs manifesting ethnocentric and polycentric or geocentric orientations. Ethnocentric mindset of the parent company signifies that there is one best way and that is its own way while the polycentric implies that there are different and equally effective ways to realize organizational goals. It is likely that the ethnocentric mindset of the parent company with reference to its subsidiary in a different cultural setting leads to a controlling while the or polycentric mindset induces a sharing orientation.

Because the societal culture consists of certain assumptions, values, beliefs and practices (Schein, 1992), its influence on transfer of knowledge lies primarily in facilitating communication between the sender and the recipient. Cultural similarity (both sender and recipient cultures being either individualist or collectivist), for example, facilitates while dissimilarity impedes knowledge transfer (Bhagat et al., 2002). A more specific prediction about the impact of culture can be attempted by examining the more proximate facets of a societal culture. Culture is a multi-level entity (Erez & Gati, 2004). A societal culture enfolds managerial and organizational cultures (Braasch, 1998; Erez & Gati, 2004; Sinha, 2004) that hold better prospect for understanding the transfer of knowledge, largely because organizational and work related values, beliefs, and practices might increase or decrease the salience of a particular knowledge facilitating or impeding its transfer.

As a part of an indigenous societal culture gets exposed to global managerial practices, it changes into a managerial culture consisting of the values and beliefs that are more similar to global than to indigenous cultural values and beliefs (Braasch, 1998; Erez & Gati, 2004). Both, societal as well as managerial cultures interact with a multinational’s home culture resulting into the organizational culture of its subsidiary (Sinha, 2004). It is this organizational culture of how the employees view and value knowledge, its creation and transfer that are likely to have the greatest impact on the knowledge flow between a parent company and its subsidiary. The framework of relationships is given in Figure 1.

Figure 1 Conceptual Frame for the Moderating Effects of Culture



In order to examine the framework, we intend to select cases of distinctly different cultures of Danish multinational and transnational organizations and their subsidiaries in P.R. China (P.R.C.) and India on the rationale that greater cultural distance may have positive impact on creation and transfer of knowledge (Phan & Peridis, 2000) This unconventional argument builds on the premises that a double loop learning (Argyris & Schon, 1978), in contrast to a single loop learning has a greater chance to occur in culturally distant parent-subsidiary relationships.

Denmark is a small industrially advanced, country having companies that started internationalizing long back. The culture is highly individualist and very low on power distance (Hofstede, 1980) later termed horizontal individualist (Triandis, 1995b). In contrast, P. R. China and India are very large, most populous, and developing Asian countries that have recently started shifting to market economy almost at the same time. They are traditionally collectivists and high power distance (Hofstede, 1980), parts of which are getting transformed into western-like managerial cultures. However, there are differences between P.R.C. and India. China is manifesting much faster economic growth and has created much friendlier environment for foreign investment than India (Kumar & Worm, 2004). Danish companies have subsidiaries in both countries, although there are many more Danish companies that are operating in P. R. China since much longer than in India. Furthermore, Danish companies have a unique advantage of not being associated by any colonizing attempts that both Asian countries resent. A comparative analysis of knowledge transfer between Danish multinational and transnational companies and their subsidiaries in P. R. China and India seems to be a worthwhile exercise.

We intend to do so by first taking an account of the forms of knowledge and their propensity to get transferred and the impact of the evolution of companies from being domestic to multinational to transnational. Finally, we shall advance some propositions to show how multinationals' and host cultures jointly form organizational culture in the subsidiaries which moderates the relationships between the forms and transfer of knowledge.

FORMS AND TRANSFER OF KNOWLEDGE

Forms of Knowledge

Knowledge is created in many forms and once created it tends to get transferred to places and persons where it is potentially usable. The forms are varied in components, processes, and purposes (Machlup, 1980). We delineate four major and somewhat overlapping dimensions of knowledge pertaining to its *complexity, nature, levels*, and *depth* having bearings on its effective and smooth transfer. Compared to complex knowledge, simple knowledge get readily transferred, irrespective of channels or cultural differences (Bhagat et.al., 2002).

Most frequently discussed dimension is the nature of knowledge being *tacit* or *explicit* (Polanyi, 1966). Tacit knowledge is integrative, unarticulated, and un-codified. It is like an intuitive understanding of a person who is aware of his capability in certain domain of his activities but cannot describe it. Others too can sense and observe him manifesting his capability, but without being able to describe how he does so. However, sooner or later he starts wondering about his capability and tries to give it at least a descriptive form. In this process, tacit knowledge starts getting codified and explicit. Once it is codified, it can be described, shared, and transmitted. Explicit knowledge can be documented for passing on or training others in form of manuals, modules, and various other media. Tacit knowledge is 'sticky' and can less readily be transferred except though rich interpersonal interactions (Pedersen, Petersen, & Sharma, 2003). A further significant difference in the two is that the onus of transferring explicit knowledge primarily resides in the sender while a tacit knowledge can be acquired by a proactive stance of the recipient who can sense and observe others on his own without their being directly involved in the transfer process.

Creation, transmission, and use of knowledge constitute a continuous spiral cycle of interactions through which a tacit knowledge gets explicit, the explicit stimulates to generate more tacit knowledge, and the cycle goes on. Tacit knowledge provides meanings and deeper understanding of explicit knowledge. Shukla (1997) traces four stages in the knowledge generation form. Tacit gets explicit, the explicit knowledge is transferred and becomes available to a number of persons at different places, and eventually becomes a common sense. Nonaka and Takeuchi, (1995) point out that tacit knowledge of a person, if shared by other persons through informal interactions, remains tacit, but once formalized becomes explicit. Explicit knowledge is combined with existing body of knowledge into a more integrated knowledge mass that tends to get internalized preparing ground for creating tacit knowledge. Recently, Takahashi and Vandenbrink (2004) refute the dichotomy of knowledge into tacit and explicit by conceptualizing a phase of formative knowledge that links the two.

Ahilstrom and Nair (2000) distinguish between ‘know-how’ and ‘know-why’ knowledge by focusing on the depth in the causal relationships. ‘Know-how’ is partial knowledge rooted in codes and routines of an organization whereas ‘know-why’ is more fundamental in capturing the underlying cause-effect relationships. Both can remain unarticulated and hence tacit or can be documented to get explicit. The transfer to ‘know-why’, particularly if it is tacit knowledge, requires greater efforts than explicit and ‘know-how’ knowledge.

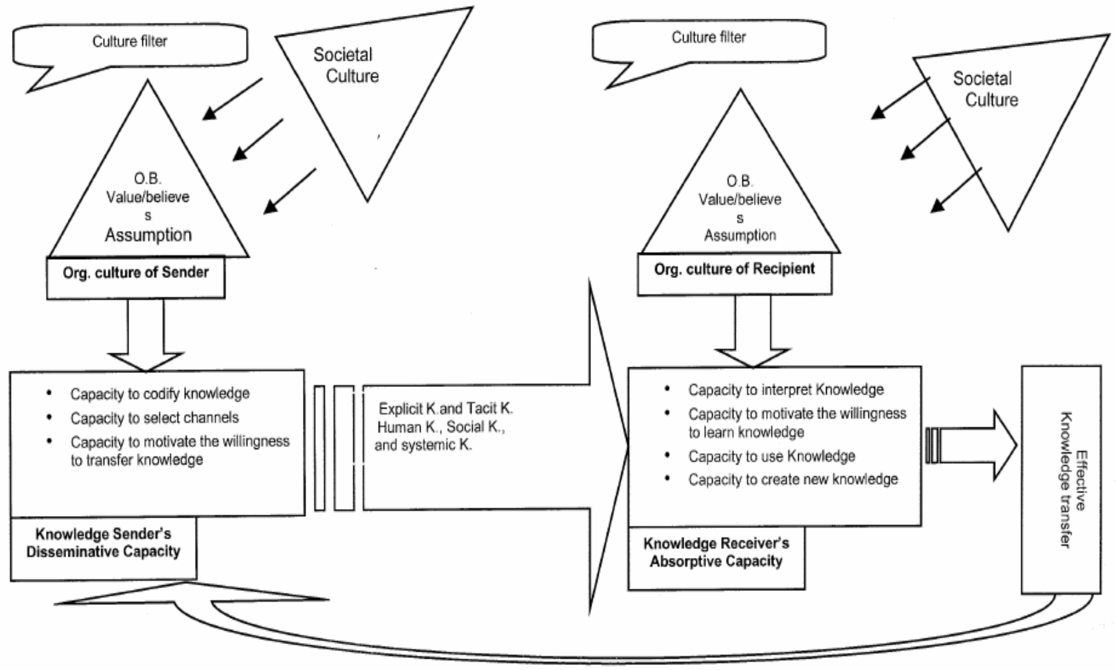
Another way of looking at the forms of knowledge is the levels at which knowledge is created, transmitted, and utilized. The levels most frequently reported in literature are human, social, and systemic knowledge (De Long & Fahey, 2000). Human knowledge is what individuals know, their skills, their unique capabilities that are either explicit or tacit. Social knowledge resides in relationships among individuals or within groups that reflect cultural norms, trust, team spirit, sense of belonging, and so on. Systemic knowledge is embedded in organizational codes and routines. While a major part of social knowledge is believed to be tacit and that of the systemic knowledge explicit, there can be tacit understanding of systems and practices of an organization and the social knowledge can be made explicit by developing manuals for inculcating skills of managing relationships. In sum, complex, tacit, social, and ‘know-why’ knowledge is most difficult to transfer, except through close interactions and a spirit of sharing between the sender and the recipient.

Dynamics of Knowledge Transfer

Transfer of knowledge is a dynamic process in which the factors residing in a sender and the recipient, the channels, and the forms of knowledge interact. Unless a sender and his recipient has a shared motivation in transferring and receiving knowledge (respectively) as well as the capability on the part of the sender to code and select appropriate channels, and the capability on the part of the receiver to interpret and utilize knowledge, knowledge can not be effectively transferred and properly utilized. The disseminative capability of a sender is his abilities and willingness to send knowledge (Minbaeva & Michailova, 2003) and similarly, the absorptive capability is the abilities and willingness of the recipient to recognize the value of new, external knowledge, assimilate it, and apply it to commercial ends (Cohen & Levinthal, 1990).

Abilities are the necessary condition, but not sufficient to activate the transfer process. Transfer requires a shared motivation to send and receive knowledge. Motivation to send and receive knowledge varies as a function of degrees cultural similarity and dissimilarity (Bhagat, Kedia, Harveston, & Triandis, 2002). There are at least three ways that a cultural interface affects knowledge flow. First, different cultures contain different norms that impede or facilitate appropriate interpretations and hence smooth communication (Adler, 2002). Secondly, different cultures might have different preferences that dispose the people to send and seek out different forms of knowledge. Individualism is associated with concern for task accomplishment which, on the surface requires a greater degree of task related knowledge that may primary be explicit. On the other hand, collectivist cultures are found to be more relationships oriented resulting into more interpersonal and face to face interactions. People tend to relate with others, sense and observe them, and can interpret their unarticulated signals as well as transmit non-verbal signals more readily than those in individualist cultures. As a result, collectivism is likely to facilitate the transfer of tacit knowledge. Third, cultural distance leads the people of a developed economy to have a poor image of the people of less developed economies (Arnold & Quelch, 1998) decreasing motivation on both sides for sending and receiving a full range of the various forms of knowledge.

Figure 2 The General Framework of the Research



INTERNATIONALIZATION OF ORGANIZATIONS

Companies evolve from being domestic through multinational to transnational (global) throwing up different imperatives for creation and transfer of knowledge. While growing domestically, the tacit understanding of the beliefs, preferences, and practices regarding how to organize, work, get work done, and relate with others at workplace is spontaneously and effortlessly acquired. The tacit knowledge in the surrounding societal culture forms the basis for the 'becoming' of organizations within that culture. The transfer is not even noticed. As the company matures and the domestic market saturates, it tends to move out of the national boundary for enhancing its competitive advantage. The tendency is to remain in a comfort zone by moving to culturally similar locations. Most of MNCs, for example, grew out of the West, and moved to other developed western locations (Arnold & Quelch, 1998; Sachs, 1998.), which broadly share the same Judeo-Christian cultural traditions. Consequently, theorizing about the parent-subsidiary relationships having bearing on the transfer of knowledge has also been confined to developed countries in North America and Europe

(Tallman, 2001). Culture remained implicit and did not require any special attention

With the further saturation of the market in the developed West, multinationals move to culturally distant locations for forming subsidiaries. They move either to those locations where they used to have trading or other low intensity activities, and thereby some cultural familiarity, or to those where the market looks attractive enough to over ride the discomforts. In either case, MNCs do not only transfer technology, capital, structure and business practices, but also they tend to transfer their organizational culture following the belief that the basic problems of management are essentially the same throughout the world for which there are globally uniform solutions, although the solutions in essence are “the superior western management methods” (Braasch, 1998, p. 12). As Bartlett and Ghoshal (1998) note, multinationals invariably tend to rely on proven global capabilities to incrementally adapt business models and a similar subsidiary strategy of controlling resources, extracting knowledge, and leveraging economies of scale and scope.

The dominant model is that of a principal and its agent (Chang & Taylor, 1999; Eisenhardt, 1989; Jensen & Meckling, 1976; O’Donnell, 2000; Roth & O’Donnell, 1996). A multinationals, as a principal, takes its subsidiaries for agents to enhance its international competitive advantages by guiding, directing, and controlling them so that they serves as ‘arms’ of the parent company and do not deviate from the course set by the latter. The parent company places expatriates to monitor, transfer their own codes and routines, and provide incentives to see that the subsidiaries perform as designed and directed and do not serve their self-interests at the cost of the principal. The controlling strategy is to replicate the parent company’s organizational culture by keeping the subsidiaries as immune as possible from the host cultural influences.

As MNCs become transnational having a number of subsidiaries at dispersed locations, the controlling strategy cease to work effectively. Subsidiaries operate in different environments and have the opportunity to learn new ways of functioning. In fact, it is now increasingly argued that “specific knowledge and expertise vital to global competitiveness are more often located, not at headquarters, but within operational groups at international locations where specialized knowledge was first developed in response to local market and resource conditions” (O’Donnell, 2000, p. 530). It is not surprising that since the 1970s, subsidiaries of transnational organizations have been expanding their roles by moving from the downstream actives to upstream responsibilities (Gupta & Govindrajan, 1991; Cantwell, 1995; Bartlett & Ghosal, 1998) requiring greater degrees of autonomy. The two overlapping trends – increasing subsidiary’s operational responsibility and greater dispersal of knowledge creating activities within the MNC’s network – have often loosened the hierarchical control of the parent company. MNCs are becoming more like political coalitions than military formations (Holm & Pedersen, 2000). In fact, some companies are “Born Global” by aiming to internationalize their operations right at the beginning (Madsen & Servais, 1997).

In contrast to the controlling strategy of multinationals, transnationals adopt sharing strategy through socialization. Controlling strategy requires maintaining some distance while sharing tends to reduce distance. Expatriates, who in the principal-agent relationships, were instruments for control, are now means to cultivate relational embeddedness characterized by the strength of social ties between the parent and the subsidiaries, the level of trust in them, and the extent to which they share common processes and values (Dhanaraj, Lyles, Steensma, & Tihanyi, 2004; Cohen & Prusak, 2001). Social ties imply provision of emotional support, sharing of expertise, high levels of interactions, face to face communications, levels of comforts, etc. Trust means a belief that the partner would not act in self-interest at another’s expense (Uzzi, 1997). Trust allows access to resources and willingness to work things out through mutual problem solving. There is evidence (Fukuyama, 1995) that social capital is a crucial building block for any prosperous enterprise. It is equally applicable for a multinational family.

We argue that controlling and sharing strategies are only partly determined by the rational choice arising out of multinationals' evolution. Culture moderates the choice in two ways. First, collectivism and low power distance are likely to lead to more sharing than controlling orientation while the reverse may be true in case of individualist and large power distance cultures. Secondly, a large cultural distance is likely to foster ethnocentric and a small cultural distance results in polycentric mindsets (Adler, 2002; Perlmutter, 1965). Cultural distance has been defined in terms of cultures' locations on the dimensions such as collectivism-individualism, power distance, and so on. Even the multinationals from Denmark are likely to perceive their subsidiaries located in P.R.C. and India as culturally distant necessitating imposing their own ways of managing them. Furthermore, a large cultural distance is also likely to attenuate the imperative to adopt sharing strategy as a part of the internationalization process. Sharing in such a case might be confined to that part of explicit knowledge (e.g., technology, capital, codes and routines) that impact on organizational performance. Accordingly, we propose the following:

Proposition 1. The greater the national cultural difference between the parent company and its subsidiaries, the greater is the probability that the parent company will have an ethnocentric mindset leading to a controlling strategy.

Proposition 2. The greater the national cultural difference between the parent company and its subsidiaries, the greater is the probability that the sharing between the two will be restricted to explicit knowledge having direct bearing on organizational performance.

SOCIETAL, MANAGERIAL, AND ORGANIZATIONAL CULTURES

We first intend to profile the Danish culture and its spontaneous transfer into Danish companies. We shall then present a brief account of the traditional Chinese and Indian cultures and the extent to which parts of them are getting transformed into managerial cultures that resemble their western counterpart. While tracing these organizational cultures, we shall advance some propositions about how the transfer of knowledge among Danish multinationals and their subsidiaries in P. R. China and India are likely to be affected by the triangular configurations of three cultures.

Before we describe specific cultural profiles, however, it should be mentioned that organizational culture might have an independent and intermediary impact on whether the MNCs choose a controlling or a sharing approach in establishing the subsidiary. Miles and Snow (1978) categorized MNCs into four basic types in terms of how they behave strategically. *Defenders*, which primarily want to keep their markets niche, tend to have a controlling approach to knowledge sharing, whereas a *prospectors*, which favor market development, tend to have a sharing approach. A*nalyzers* engage in intensive planning in order to create a maximal fit with the external environment. This may result in a combination of a controlling and sharing approach to knowledge sharing. *Reactors* represent residual strategy in situations where other strategies do not seem to be feasible.

> **Proposition 3. Different organizational cultures will impact on the knowledge transfer differently: Defenders will tend to have a controlling strategy, prospectors a sharing one, analyzers strike a balance between controlling and sharing, and reactors will vary their strategy depending on the demands of a situation.**

Evolution of Danish Culture

The organizational culture in Danish companies by and large replicates the Danish societal culture which is a part of the Scandinavians culture (Haire, Ghiselli, & Porter, 1966). The dominant values are high individualism and low power distance (Hofstede, 1980), pragmatism (Fievelsdal & Schramm-Nielsen, 1993; Lessem & Neubauer, 1994; Schramm-Nielsen and Lawrence, 1998), egalitarianism (Furmiss & Tilton, 1979) undermining self-promoting impetuous behaviour (Worm, 1997). Danish culture can be characterized by what Triandis and others have called horizontal individualism (Triandis, 1995b). Danish managers are informal in behaviour and dress. Those who know each other use first names and omit titles, even when talking about a third person (Schramm-Nielsen, 1993).

A corollary of egalitarianism is the low tendency to control others (Worm, 1997). Managers value in being internally driven in their judgment and behaviour. The status symbols such as luxuries car, large office size, expensive furniture, consumption pattern, and above all a title reflect the proven performance of a manager rather than any ascribed status or personal charisma. A lot of communication in Danish companies is implicit. A sense of competition and power exist, but they carry a negative connotation. Danish managers talk primarily about cooperation and responsibility. There is a strong emphasis on discussion and arriving at consensus that often cause delays, too much of formalization of procedures to guide discussions, and agreement on the decisions that may not be the best (Schramm-Nielsen and Lawrence (1998). Power and authority are differentially exercised, but they are not placed in the hands of a few. They manifest in taking bold actions without being deferential to superiors. Organizational norms are so important that people are considered to be replaceable. Although lay-off is easiest, unemployment allowance is almost highest among the European countries (Worm, 1997).

The preference for being internally driven leads Danish managers to assume responsibility for making independent assessment of situations and questioning management decisions before accepting them. One is expected to have the courage to express one's opinions and stick to them, no matter what one's superior thinks, but not to do it in a self-promoting way. This requires a great deal of emphasis on improving one's competence, function effectively, and valuing time as an important resource. Equal importance is given to developing positive attitudes to work and people, social capabilities, and knowledge. Danish managers believe in taking continuous training as a part of building their knowledge stock. They are by and large quiet, slow, non-emotional, and non-aggressive (Selmer, 1993). Considering these characteristics, we postulate the following:

Proposition 4. It is the explicit and implicit knowledge of this egalitarian, pragmatic, low control, and internally-directed stable cultural frame that Danish multinationals will tend to transfer to their subsidiaries in P. R. China and India.

Changing Profile of the Chinese Culture

The traditional Chinese culture is permeated with Confucianism that fosters hierarchical norms regarding social relationships, harmony, collectivism that emphasizes familial orientation, holistic thinking, and context sensitivity that still constitute the core of Chinese culture (Zhang, 1998; Wang et al., 1998; Su, 1996; Chen, 2001). The impact of Confucianism was diluted for a while when in 1949 Marxism and communalism took over. Cultural Revolution was an attempt to transform the Chinese society into a socialist mould by centralized decision-making and state-owned industrial activities. By the end of the 1970s, the Government decided to introduce economic reforms and accelerate the shift towards market economy.

The Chinese culture, being highly pragmatic, the country moved faster and faster towards the West by attracting foreign capital and companies. There is a trend towards acquiring western values of independence, equality, and individual freedom, particularly in the minds of those who are working in the modern business sector (Li, 2000). China has now a modern business environment where multinationals and expatriates feel welcome. As a result, China has been able to realize above nine percent GDP growth rate since 1980 (Pitsilis et al, 2004). Despite its large population of 1.3 billion, China reached a per capita GNP of US $ 1,096 in 2003 and a real GNP of US $ 5,486 in PPP terms. This growth rate has been achieved at least partly because of huge inflow of foreign direct investment (FDI). The total amount of FDI is more that US $ 400 billion with an annual inflow of around US $ 50 billion, which make China the largest recipient of FDI in the world. With a foreign trade volume in 2003 of US$ 850 billion China is fourth largest trading nation in the world (Market Profile on Chinese Mainland, 2004). Around half of the foreign trade volume is related to FDI, which indicates that China is regarded as a production base rather than a market as this point in time. The confidence in China is partly due to a hoard of foreign reserves of more than US$ 400 billion. Multinationals initially perceived China as an attractive and cost-effective place to produce and market consumer goods.

There are still cultural barriers for Danish companies in transferring, particularly their tacit knowledge to Chinese subsidiaries. Language is one. Another is the bureaucracy that is susceptible to corruption and is centralized in making decisions causing delays. Implementation of the decisions once made, however is quick (Kumar & Worm, 2004) probably because of the persisting traditional cultural values of obedience to authority without questioning them. The core of the societal culture still possesses strands of Confucianism, although the management culture is approximating its Western counterpart. Danish subsidiaries in P.R.C. are likely to reflect the confluence of two stable mindsets: The Danish that is homogenously egalitarian, pragmatic, low control, analytical, and individualistic on the one hand and the Chinese that are overtly receptive to Danish values but are also possessed by the traditional values (Kumar & Worm, 2004). The result might be a need to constantly reproach each other. Danish multinationals are likely to place expatriates to keep the organizational culture conducive enough for the transfer of organizational codes and routines as well as Danish values in order to create conditions conducive for work performance. Chinese managers are likely to keep struggling to narrow the cultural differences while still causing frustrating experiences to the expatriates. We hypothesize the following:

> **Proposition 5. Chinese subsidiaries of Danish multinationals and transnational companies will witness continuous efforts on the parts of both Danish expatriates and Chinese managers to transfer tacit knowledge that can narrow the cultural differences in order to enable the subsidiaries to function effectively.**

Changing Profile of the Indian Culture

The profile of the changing Indian culture is similar to the Chinese, although there are critical differences having bearing on relatively slower pace of changes in the management culture in India (Kumar & Worm, 2004). Like

China, India is a country of over one billion people having a traditional Indian culture which is characterized by collectivism and large power distance (Hofstede, 1980; Triandis, 1995) or vertical collectivism (Triandis, & Bhawuk, 1997), hierarchical orientation, preference for harmony, and holistic thinking (Sinha, 1990). Unlike the Chinese, however, Indian culture places strong emphasis on spirituality and draws heavily on Indian mythological traditions (Roland, 1988). Furthermore, India's long exposure to Western influences, including Western type of democracy, has inculcated individualist orientations (Roland, 1988), competence in English, and knack for analytical thinking. Indian managers are found to be high on need for achievement, striving for excellence, competitiveness, individual freedom and so on (Kumar, 1996; Sinha, 1990). As a result, Indian culture does not fully fit with currently known cultural clusters in the world (Ronen & Shenkar, 1985). Instead of replacing the traditional by the modern modes of expressing culture, Indian managers hold both orientations simultaneously and shift from one to another to suit different situations (Sinha & Kanungo, 1997).

Indian government policy towards multinationals started with being fairly positive in the 1950s, got restrictive from mid 1960s to the end of 1970s, and thereafter has been increasingly positive. The process of liberalization has been gaining momentum since the 1990s. As a result, the country has made tremendous achievements releasing a new surge of creativity. It claims to have the fourth biggest economy, only next to the USA, China, and Japan, on its Purchasing Power Parity Index (World Bank, 2003) and the third largest pool of skilled and professionals in the world. In the year 2002, the Global Entrepreneurship Monitor of the London School of Business rated it as the second most entrepreneurial nation (Business Today). On the basis of the Foreign Direct Investment Confidence Index (see A. T. Kearney, 2004), China and India rival one another and are aggressively challenging the United States as the world's most favoured destination for foreign direct investment. While China is favoured as a hub for manufacturing facilities, India tops the list of favoured destinations for business process outsourcing. Most of the major multinational and transnational companies have registered their presence in

India. They came to India for cost savings, stayed on for the quality of people, started investing in innovations, and exporting products and services to first-world nations including the US, the UK and Germany. With annual outflows averaging at US $1 billion, the country's ranking in UNCTAD's outward FDI performance index has already shot up from the 107th position in 1999 to the 61st in the year 2003. Europe alone accounted for 40 per cent of the total FDI outflow **(***The World Fact Book, India*, 2003).

Despite these outstanding achievements, India till now has been lagging behind China in creating a receptive business environment for multinationals. China's per capita income was nearly twice higher, inflow of FDI in the 1990s was US$ 300 billion compared to US$ 18 billion in India and China's export earnings were more than six times that of India, and its the foreign exchange reserve was US$ 46 billion compared to US$ 160 billion of India (Naik, 2001). Danish companies have much greater presence in P.R.C. than in India. In fact the annual growth rate of Danish investment has shown a decline from about US $ 60 million in the years 1996 and 1997 to just US$ 11.2 million in the years 2000 and 2002 (*Statistical Outline of India, 2004)*.

Part of a weak Danish interest in investing in India is probably due to the cultural distance which is confounded by Indians orientation to switch their cultural modes from indigenous to western and back to indigenous so frequently that Danish expatriates having stable mindset experience difficulties in dealing with Indians (Kumar & Worm, 2004). Indians, out of their eagerness to enter into a Danish subsidiary, put up their western mindset inducing Danish multinationals to set up their subsidiaries (Sinha, 2004). They acquire explicit 'know-how' knowledge of organizational codes and routines, and meet standards of performance. Because of their relationships orientation, they also acquire knowledge about Danish cultural values, but find them not applicable in Indian settings (Sinha, 2004). Consequently, once the operations get going, they probably take advantage of non-directive, low control mindset of Danish expatriates to switch to their traditional modes of hierarchical and personalized relationships causing frustrating experience to the expatriates. Therefore, we postulate the following:

> **Proposition 6. Danish multinational and transnational subsidiaries in India will have fewer problems than in P.R.C. in setting up subsidiaries, but will experience more frequent problems in transferring the tacit knowledge pertaining to Danish cultural values.**

Although hard evidence does not exist, we speculate on the possibility of lateral transfer of explicit and tacit knowledge between Chinese and Indian subsidiaries and back transfer of both types of knowledge from subsidiaries to Danish parent companies. Despite differences, Chinese and Indian cultures including management cultures share enough to argue that the knowledge created in one culture can be usefully transferred to the other. Furthermore, both cultures are relationship oriented that facilitate sensing, observing, and acquiring tacit knowledge from Danish expatriates. Once Indians and Chinese get acquainted with Danish cultural ways, they are likely to synthesize in course of time the Danish and their indigenous cultural values and social habits. The hybrid values that are likely to be created may have the potential to enrich Danish cultural frame. Therefore, we advance two prepositions:

> **Proposition 7. Once Danish subsidiaries in P. R. China and India start interacting, they will transfer and absorb different forms of knowledge from each other.**

> **Proposition 8. Interactions between Danish expatriates and Indian and Chinese managers in Danish subsidiaries will result into enriched cultural frames for all three – Danish, Chinese, and Indian managers.**

CONCLUSION AND DISCUSSION

The postulates need to be empirically examined. Once substantiated, they raise issues regarding how to manage the organizational cultures of Danish subsidiaries in P. R. China and India so the existing as well as new knowledge in the three cultures are transferred for enabling Danish multinationals to gain, retain, and enhance their international competitive advantage. Probably different strategies will be required in case of Chinese and Indian subsidiaries. The possibility of linear rapprochement between Danish expatriates and Chinese managers will require organizational mechanisms to sort out the problems of communication and appreciation of each others cultural hang-ups. In case of Indian subsidiaries, the Danish parent company will have to reach clear agreement on the basics for the running of the subsidiaries so that Indian managers are refrained from switching their cultural frames from modern to their traditional modes of working and relating with each other. The agreement, however, has to have sufficient scope for Indians to meet their social and family obligations. All these efforts, however, have to be based on empirical foundation.

In terms of operational management in subsidiaries in China and India, there are potential differences as predicted by the propositions 5 and 6. The continual switching of cultural frames by the Indians may cause slower change of cultural frames among Indians compared to the Chinese. As Indians can adapt to the Danes without replacing their traditional cultural frame, they are likely to switch to their traditional cultural frame as soon as the foreign expatriates leave the subsidiary. As a result, there is a nearly permanent need for expatriates to stay in India if the companies from Denmark want to transfer tacit knowledge to their Indian subsidiaries. In addition it seems that few overseas Indians tend to go back to India after being educated in the West, thus pre-empting the possibility of Western inducted Indian managers continuing to facilitate the transfer of tacit knowledge from Danish culture to Indian companies.

In comparison to Indians, it is difficult for the Chinese to change cultural frame, but having adapted to the Danes they will stick to it at least when the organization so demands. This makes a higher degree of knowledge transfer more likely. Similarly many overseas Chinese move back to China after graduating from Western universities and take up positions as “expatriates” maintaining the same stance in knowledge transfer.

The knowledge transfer between Indian and Chinese subsidiaries of Danish MNCs with a stable cultural frame seems be to minimal as they will have some of the same challenges as described in the case of the Indian subsidiaries. The fact that both India and China are higher on both collectivism and power distance might reduce the distance, though. In case the organisational culture developed by the subsidiaries have a prospectors' approach a sharing knowledge transfer strategy can be foreseen while a defenders approach will inhibit a sharing approach.

REFERENCES

Adler, N. 2002. *International Dimensions of Organizational Behavior*, South-Western: Cincinnati.

Adler, N. & Ghadar, F. 1989. Globalization and human resource management. In Rugman, A. (ed.) *Research in Global Strategic Management*. Vol.1 JAI Press: Greenwich, pp. 179 - 205.

Ahlsstrom, D. & Nair, A. 2000. The role of know-why in knowledge development within biomedicine: Lessons for organizations. *Asia Pacific Journal of Management,* 17, pp. 331-351.

Andersen, P., Blenker, P & Christisensen, P. 1995. *Generic routes to subcontractors' internationalization*. Paper presented at the RENT IX Conference on entrepreneurship and SMEs in Milano, Italy. November.

Argyris, C. & Schon, D. A. 1978. *Organizational learning: A theory of action perspective.* Addison-Wesley, Reading.

Argyris, C. & Schon, D. A. 1996. *Organizational learning II: Theory, method and practice.* Addison-Wesley, Reading

Arnold, D. J. & Quelch , J. A. 1998. New strategies in emerging markets. *Sloan Management Review,* 40 pp. 7-20.

A. T. Kearney. 2004. www.atkearney.com. Accessed December 26.

Bartlett, C., Ghoshal, S. and Birkinshaw, J. 2004. *Transnational Management* 4th ed. McGraw-Hill. Boston.

Bartlett, C.A. & Ghoshal, S. 1998. *Managing Across Borders*. Harvard Business School Press, Boston.

Beckman, T. J. 1999. Current state of knowledge management. In J. Liebowitz. (Ed.), *Knowledge management handbook*. CRC Press. Boca Raton: Florida. pp. 1-22.

Bhagat , R., Kedia,B.; Hareston, P & Triandis, H. 2002. Cultural variations in cross-border transfer of organisational knowledge: An integrative framework. *Academy of Management Review* 27, pp. 204-221.

Birkinshaw, J.M. & Hood, N. 1998. Multinational Subsidiary Evolution: Capability and Charter Change in Foreign-Owned Subsidiary Companies. *Academy of Management Review*. 23, pp. 773-795.

Bjorkman, I., Barner-Rasmussen, W. & Li, L. 2004. Managing knowledge transfer in MNCs: The impact of headquarters control mechanisms. *Journal of International Business Studies*, 35, pp. 443-455.

Bontis, N. 1998. Intellectual Capital: An exploratory study that develops measures and models. *Management Decision*, 36, pp. 63-76.

Bontis, N. 2001. Assessing Knowledge Assets: A review of the models used to measure intellectual capital. *International Journal of Management Reviews*, 3, pp. 41-60.

Braasch, A. 1998. The Danish STO-Model, in: *Journal of Logic, Language, and Information, 3(4)*.

Busenitz L. W., Gomez, C. and Spencer, J. W. 2000. Country institutional profiles: Unlocking the entrepreneurial phenomena. *Academy of Management Journal* 43, pp. 994-1003.

Business Today. 2004. http://www.business-today.com/btoday/index.html. January 18. p. 84

Cantwell J. 1995. The globalization of technology: What remains of the product cycle? *Cambridge Journal of Economics*, 19, pp. 155-174.

Chang, E. & Taylor, S. M. 1999. Control in multinational corporations (MNCs): The case of Korean manufacturing subsidiaries. *Journal of Management,* 25, pp. 541-566.

Chen, M. 2001. *Inside Chinese business: A guide for managers worldwide*. Harvard Business School Press, Cambridge, Ma.

Choo, C. W. & Bontis, N. 2002. Knowledge, intellectual capital, and strategy. In Chun W. C. & Bontis, N. (Eds.). *The Strategic Management of Intellectual Capital and Organizational Knowledge*. Oxford University Press, Oxford

Cohen, D. & Prusak, L. 2001. *In Good Company. How social capital makes organizations work*. Harvard Business School Press. Boston, Ma

Cohen, W. M. & Levinthal, D. A. 1990. Absorptive Capacity: A New Perspective on Learning and Innovation. *Administrative Science Quarterly*, 35 pp. 128-152.

De Long, D. W. and Fahey, L. 2000. Diagnosing Cultural Barriers to Knowledge Management," *The Academy of Management Executive* 14(4) pp. 113-127.

Dhanaraj, C., Lyles, M. A., Steensma, H. K., & Tihanyi, L. 2004. Managing tacit and explicit knowledge transfer in IJVs: The role of relational embedded- ness and the impact on performance. *Journal of International Business Studies,* 35 pp. 428-442.

Drucker P. F. 1993. *Post-capitalist society*. Butterworth-Heinemann, Oxford

Drucker P. F. 1999. *Management challenges for the 21st Century*. Butterworth-Heinemann. Boston.

Edvinsson L. & Malone M. 1997. *Intellectual capital: Realizing your company's true value by finding its hidden brainpower*. Harper Business, New York

Edvinsson L. & Sullivan P. 1996. Developing a Model for Management Intellectual capital. *European Management Journal*, 14 pp. 356-364.

Eisenhardt, K. M. 1989. Agency theory: An assessment and review. *Academy of Management Review*, 14, pp. 57-74.

Erez, M & Gati, E. 2004. A dynamic, multi-level model of culture: from the micro level of individual to the macro level of global culture. *Applied Psychology: An International Review,* 53, pp. 583-598.

Evans, C. 2003 *Managing for Knowledge – HR's strategic role*. Butterworth-Heinemann. Boston

Fievelsdal, E. & Schramm-Nielsen, J. 1993. Egalitarianism at Work: Management in Denmark. In D. Hickson (ed.). *Management in Western Europe***.** Walter de Gruyter. Berlin

Frost, S. T. 2001. The Geographic Sources of Foreign Subsidiaries´ Innovation. *Strategic Management Journal*, 22, pp. 101-123.

Fukuyama, F. 1995. *Trust: The social virtues and the creation of prosperity.* Free Press. New York.

Furniss, N. & Tilton, T. 1979. *The case of the welfare state*. Midland. London

Garavelli, A. C., Gorgoglione M. & Albino V. 2003. *Strategies for Knowledge transfer.* Paper presented in the European Knowledge Management Forum. May.

Garud, R. & Nayyar, P. 1994. Transformative capacity: Continual structuring by intertemporal technology transfer. *Strategic Management Journal* 15, pp. 365-385.

Ghosal S. & Bartlett C. 1990. The Multinational Corporation as an International Network. *Academy of Management Review*. 15, pp. 603-625.

Grant R. M. 2000. Shifts in the world economy: The drivers of knowledge management. In Despres, C. & Chauvel, D. *Knowledge horizons: The present* *and the promise of knowledge management*, Butterworth & Heinemann. Boston: pp. 27-53.

Gupta A. K. & Govindarajan V. 1991. Knowledge flows and the structure of control within multinational corporation. *Academy of Management Review* 16, pp. 768-792.

Gupta A. K. & Govindarajan V. 2000. Knowledge flows within multinational corporations. *Strategic Management Journal*, 21 pp. 473-496.

Haire, M., Ghiselli, E.E. & Porter, L.W. 1966**.** *Managerial Thinking : An International Study***.** John Wiley. New York.

Hansen, M, N., Nohria, T. & Tierney. 1999. What's your strategy for managing knowledge? *Harvard Business Review*, 77 pp. 106-117.

Harrigan, K. R. 1985. *Strategies for Joint Ventures.* Lexington Books. Lexington, MA

Hennart, J. E. 1982. *A theory of multinational enterprise*. University of Michigan Press. Ann Arbor.

Hofstede, G. 1980. *Culture's consequences: International differences in work-related values.* Sage. Newbury Park, CA.

Hofstede, G. 1993. Culture constraints in management theories. *Academy of Management Executive,* 7, pp 81-94.

Hofstede, G. 2001. *Culture's consequences: Comparing values, behaviors, institutions and organizations across nations.* (2nd edition). Sage. Thousand Oaks:

Holm, U. & Pedersen, T. 2000. *The emergence and impact of MNC centers of excellence.* MacMillan Press. Basingstoke.

Jacobson, N., Butterill, D. & Goering, P. 2004. Organizational factors that influence university-based researchers' engagement in knowledge transfer activities. *Science Communication*, 25, pp 246-259.

Jin, D. 2001. *The dynamics of knowledge regime: Tehnology, culture, and competitiveness in the USA and Japan*. Continuum. London.

Jensen M., & Meckling W. 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3 pp. 303-360.

Kedia B. I. & Bhagat R. S. 1988. Cultural constraints on transfer of technology across nations: Implications for research in international and comparative management. *Academy of Management Review*, 13 pp. 559-571.

Kogut, B.1988. Joint ventures: Theoretical and empirical perspectives. *Strategic Management Journal,* 9, pp. 319-332.

Kumar, R. 1996 Dynamics of developmental processes: The role of culture. *Social Engineer*, 5, pp. 98-113.

Kumar, R. & Worm, V. 2005. Institutional Dynamics and the Negotiation Process: Comparing India and China. *The International Journal of Conflict Management* Vol. 15, No. 3, pp. 304–334.

Leonard-Barton, D. 1995. *Well-Springs of Knowledge: Building and Sustaining the Sources of Innovation*. Harvard Business School Press. Boston, MA

Lessem, R. & Neubauer, F. 1994. *European management systems: Towards unity out of cultural diversity*. McGraw Hill. London

Li, Y. 2000. Analysis on the change of Chinese political culture in recent 20 years. *Journal of Chinese Studies*, 11. (In Chinese.)

Linda A. & Ingram, P. 2000. Knowledge transfer in organizations: A basis for competitive advantage in firms. *Organizational Behavior and Human Decision Processes* 82, pp 150-169.

Linda A. 1999. *Organizational learning: Creating, retaining and transferring knowledge.* Kluwer Academic Publishers. Boston.

London, T. & Hart, S. L. 2004. Reinvesting strategies for emerging markets: Beyond the transnational model. *Journal of International Business Studies,* 35 pp. 350-370

Machlup, F. 1980. *Knowledge: Its creation, distribution, and economic significance* Volume 1. Princeton University Press, Princeton.

Madsen, T. K & Servais, P. 1997. The internationalization of Born Globals: A evolutionary process. *International Business Review* 6 pp. 561-583.

Mcevily S. K., Das, S. & Mccabe K. 2000. Avoiding competence substitution through knowledge sharing. *Academy of Management Review*, 25 pp. 294-311.

Minbaeva D. & Michailova. 2003. *Knowledge transfer and expatriation practices in MNCs: The role of disseminative capacity*. Working paper of the center for knowledge governance, Copenhagen Business School, CKG WP 13/2003. Copenhagen.

Mudambi, R. & Navarra, P. 2004. Is knowledge power? Knowledge flows, subsidiary power, and rent seeking within MNCs. *Journal of International Business Studies.* 35, pp. 385-406.

Naik, C.P.V. 2001. *India: Question of Mindset*. Business Line. Islamabad, January 23.

Neil MacAlpine 2004. *Knowledge Transfer Guide* Http://www.pao.gov.ab.ca/learning/knowledge/transfer-guide/transfer-guide.htm. Accessed 2004-03-22.

Nonaka, I & Teece, D. J. 2001. *Managing industrial knowledge: Creation, transfer and utilization*. Sage, London.

Nonaka, I. & Takeuchi, H. 1995. *The knowledge creating company.* Oxford University Press, New York.

O´Donnell, S.W. 2000. Managing foreign subsidiaries: Agents of headquaters, or an interdependent network? *Strategic Management Journal* 21, pp. 525-548.

Pedersen, T., Petersen, B. & Sharma, D. 2003. Knowledge transfer performance of multinational companies. *Management International Review* 43(3), pp. 19-90.

Permutter, H. 2004. The Tortuous evolution of the Multinational Corporation. In Bartlett, C., Ghosal, S. & Birkinshaw, J. *Transnational Management*. McGraw-Hill. Boston

Phan, P. H. & Perridis, T. 2000. Knowledge creation in strategic alliances: Another look at organizational learning. *Asia Pacific Journal of Management,* 17, pp. 201-222.

Pitsilis, E., Woetzel, J., & Wong, J. 2004. Checking China's vital signs. *The McKinsey Quarterly*, Special Issue, pp. 7-15.

Polanyi, M. 1966. *The tacit dimension*. Routledge & Kegan Paul. London.

Porter, M. E. 1990. *Competitive Advantage of Nations*. The Free Press. New York.

Prahalad, C.K. & Lieberthal, K. 1998. The End of Corporate Imperialism. *Harvard Business Review*. July-August, pp. 68-79.

Perlmutter, H. 1965 Three conceptions of a World Enterprise. *Revue Economique et Sociale*. May.

Roland, A. 1988. *In Search of Self in India and Japan*. Ajanta. Weaver, G. Delhi.

Ronen, S. & Shenkar, O. 1985. Clustering countries on attitudinal dimensions: A review and synthesis. *Academy of Management Review,* 10, pp. 435-454.

Roth, K. and O´Donnell, S. 1996. Foreign subsidiary compensation strategy: an agency theory perspective. *Academy of Management Journal* 39, pp. 678-703.

Rugman A. & Verbeke A. 2001. Subsidiary Specific Advantages in Multinational Enterprises. *Strategic Management Journal* 22, pp. 237-250.

Sachs, J. 1998. International Economics: Unlocking the Mysteries of Globalization. *Foreign Policy* 110 pp. 97-111.

Schein, E. H. 1992. *Organizational culture and leadership* (2nd edition). Jossey & Bass. San Francisco.

Schramm-Nielsen, J. 1993. Danish-French cooperation in business companies Ph.D.serie 2.93. Copenhagen: Samfundslitteratur. [In Danish]

Schramm-Nielsen, J. & Lawrence, P. 1998. Scandinavian management: A cultural homogeneity beyond the nation state. *Enterprises et Histoire*, 10, pp.7-21.

Selmer, J. 1993. Sweden. In Peterson, R. (Ed.) *Managers and National Culture. A Global Perspective*. Quorum Books. Westport.

Senge, P. M. 1990. The fifth discipline: *The Art and Practice of the Learning Organization*. Doubleday. New York, NY.

Serenko A. & Bontis N. 2004. Meta-review of knowledge management and intellectual capital literature: Citation impact and research productivity rankings. *Knowledge and Process Management* 11, pp. 185-198.

Shukla, M. 1997. *Competing Through Knowledge: Building a Learning Organisation.* Response Books, New Delhi.

Singh, K. 2004. Towards the development of strategy theory: Contributions from Asian Research. K. Leung & S. White (Eds.). *Handbook of Asian Management* Kluwer Academic Publishers. Boston. Pp. 53 – 84.

Sinha, J.B.P. & Kanungo, R. N. 1997. Context sensitivity and balancing in Indian organizational behaviour. *International Journal of Psychology, 32,* pp. 93-105.

Sinha, J.B.P. 1990. *Work culture in the Indian context.* Sage. New Delhi.

Sinha, J.B.P. 2004. *Multinationals in India. Managing the Interface of Culture*. New Delhi. Sage.

Spender J. C. 1996. Making knowledge the basis of a theory of the firm. *Strategic Management Journal*, 17 Winter. (Special Issue) pp. 45 - 62.

Statistical Outline of India, 2003-2004. 2004. Department of Economics and Statistics, Tata Services, Mumbai.
.
Stewart T. A**.** 1991. Brainpower: How intellectual capital is becoming America's most valuable asset. *Fortune **3*** pp. 44-60.

Stewart T. A**.** 1997. *Intellectual Capital: The New Wealth of Organizations.* Nicholas Brealey Publishing. London.

Strandskov, J. 1995. *Internationalization of Companies*. Copenhagen Business School Press. Copenhagen. (In Danish.)

Su, Y. 1996. *Systemic Research of Chinese Culture*. Fudan University Press. Shanghai (In Chinese).

Takahashi, T. & Vandenbrink, D. 2004. Formative knowledge: From knowledge dichotomy to knowledge geography – Knowledge management transformed by the ubiquitous information society. *Journal of Knowledge Management.* 8, pp. 64-76.

Tallman S., Jenkins M. & Pinch S. 2004. Knowledge, clusters and competitive advantage. *Academy of Management Review*, 29, pp. 258-271.

Tallman, S. (2001). Global strategic management. In M. A. Hitt, R. E. Freeman, & J. Harrison (Eds.), *The Blackwell Handbook of Strategic Management.* Blackwell Publishers. Oxford. Pp. 464-490.

Teece, D. 1986. Profiting from technological innovation: implications for integration, collaboration, licensing and public policy. *Research Policy,*15 pp. 285-305.

Triandis, H. C. 1995. *Culture and social behaviour.* McGraw. New York

Triandis, H.C. 1995b. *Individualism and Collectivism*. Westview Press. Boulder.

Triandis, H. C., & Bhawuk, D. P. S. 1997. Culture theory and the meaning of relatedness. In P. C. Earley & M. Erez (Eds.), *New perspectives on international industrial/organizational psychology*. New Lexington Press. San Francisco. Pp. 13-52

Uzzi, B. 1997. Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative Science Quarterly*, 42, pp. 35-67.

Wang, P. K. 2000. Knowledge Creation Management: Issues and challenges. *Asia Pacific Journal of Management,* 17, pp. 193-200.

Wang, Y. Zhang, X. & Goodfellow, R. 1998. *Business Culture in China*. Butterworth-Heinemann Asia. Singapore.

Winter, S. G. 1987. Knowledge and competence as strategic assets. In Teece, D. (Ed.) *The Competitive challenge: Strategies for industrial innovation and renewal*. Ballinger Pub. Cambridge, Mass. Pp. 159-184.

*World Bank. 2003***.** http://www.worldbank.org/data/dataquery.html.

World Fact Book, India, 2003. http://www.cia.gov/cia/publications/factbook/geos/in.html3.

Worm, V. 1997. Vikings and Mandarins: Sino-Scandinavian business cooperation in cross-cultural settings. Copenhagen Business School Press. Copenhagen.

Market Profile on Chinese Mainland, 2004. www.tdc.org.hk accessed 27 October 2004.

Xu, X. (2004). *Intellectual Capital Management: Creating new Organizational Wealth.*Beijing: Hua Xia Press, (In Chinese)

Zahra, S. A. & George, G. (2002). Absorptive capacity: A review, reconceptualization, and extension, *Academy of Management Review*, 27, pp. 185-203.

Zhang, D. N. 1998. Talking about Chinese traditional culture. *People Daily.* 28 July (Electronic press).

COPENHAGEN DISCUSSION PAPERS

2005-1 May: Can-Seng Ooi, “Orientalists Imaginations and Touristification of Museums: Experiences from Singapore”.

2005-2 June: Verner Worm, Xiaojun Xu, and Jai B. P. Sinha, “Moderating Effects of Culture in Transfer of Knowledge: A Case of Danish Multinationals and their Subsidiaries in P.R. China and India”.

2005-3 June: Peter Wad, “Global Challenges and Local Responses: Trade Unions in the Korean and Malaysian Auto Industries”.

Editor of the Copenhagen Discussion Papers:
Associate Professor Michael Jacobsen

Asia Research Centre
Copenhagen Business School
Porcelaenshaven 24
DK-2000 Frederiksberg
Denmark

Tel.: (+45) 3815 3396
Fax: (+45) 3815 2500
Email: mj .int@cbs.dk
www.cbs.dk/arc