

# Strategic Knowledge Management in MNCs' Subsidiaries: A Case of Guangzhou Honda

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## 要 旨

激しく変容するグローバル・ビジネス環境は多国籍企業の伝統的な経営戦略に大きな挑戦を仕掛けている。大きな挑戦とは、知識マネジメントのことである。その課題に大勢の学者は懸命に向きあっている。しかしながら、有効なカタチで検討された研究は不十分だと考えられている。ことに、外国における子会社の知識マネジメントに対する研究は驚くほど少ない。本稿の目的は、外国における子会社の知識マネジメントの手本となるものを提示することである。研究方法は、関連する先行研究の理論に基づき、中国における広州本田を事例として実証分析を行った。広州本田は、日本の大手会社 本田技研工業株式会社の子会社として、中国自動車市場で大成功を遂げた。研究の結果、知識マネジメントの手本となる広州本田の四つのやり方を明らかにすることができた。

**Keywords:** Knowledge management (KM); Multinational corporations (MNCs)

## Table of Contents

- I. Introduction
- II. Structure and methodology
- III. Context model for exploring KM in MNCs' Subsidiaries
  - 1. Defining knowledge and knowledge management
  - 2. The context model for exploring KM in MNCs' subsidiaries
- IV. A case study of Guangzhou Honda Automobile Co., Ltd. (Guangzhou Honda)
  - 1. Guangzhou Honda Automobile Co., Ltd.: An overview
  - 2. Strategic knowledge management (KM) in Guangzhou Honda
    - 1) Planning KM in Guangzhou Honda strategically
    - 2) Managing KM network instead of isolated KM activities
    - 3) Improving KM performance by continuous learning

4) Decentralizing KM locally while integrating globally

V. Conclusions

Acknowledgement

Notes

References

## I. Introduction

Today's global market landscape has been characterized as high-velocity and hyper-competition resulting from fast technological upgrading and accelerated market change. At the same time, the knowledge intensity of output has also been increasing dramatically, or better, "the knowledge intensity of output has been increasing since the industrial revolution, but over the last two decades, this process has accelerated" (Ram Mudambi, 2002)<sup>1</sup>. In such a turbulent and disruptive marketplace, knowledge management (KM) is considered as the only way to renew competitive advantage. According to the four criteria summarized by Peteraf, it is argued that knowledge best meet the requirements for a resource to be of strategic importance and the source of sustainable competitive advantage (Arne Carlsen and Bjørn Haugstad, 1999)<sup>2</sup>. There is no intention, however, to imply that traditional resources have lost their economic importance. As a matter of fact, traditional resources are still playing an important role in today's business environment. What should be emphasized here is that these traditional resources are not the most critical factors in today's business environment. This is supported by the fact that "85 percent of CIOs surveyed by Cambridge Information Network believe that knowledge management creates a competitive advantage for firms by fostering faster and better decision-making" (Syed H. Akhter, 2003)<sup>3</sup>. In other words, the sustainable competitive advantage and profitability has come to depend largely on how to create and exploit knowledge instead of traditional resources due to the rapid development of knowledge-rich global competition.

Being not a vaporous management fad, KM is argued as a crucial resource for the success in creating value for customers as well as corporations. Subsequently, a variety of approaches to manage knowledge effectively have been suggested. One of them is T-shaped KM. T-shaped KM "relies on a new kind of executive, one who breaks out of the traditional corporate hierarchy to share knowledge freely across the organization (the horizontal part of the 'T') while remaining fiercely committed to

individual business unit performance (the vertical part).” It is pointed out that “effective T-shaped managers will benefit companies of almost any size, but they’re particularly crucial in large corporations where operating units have been granted considerable autonomy” (Morten T. Hansen and Bolko von Oetinger, 2001)<sup>4</sup>. More important, along with the market evolution, tomorrow’s opportunities and threats are more relevant in such a constantly changing marketplace even though many corporations failed to realize it, managing knowledge strategically is becoming a necessity in deciding corporations’ potential to survive and grow given that the rules of game in today’s business arena have changed dramatically.

With regards to KM in MNCs, most pioneering literature focused on home-country operations that were considered as playing a crucial role. Home country here is defined as the country where headquarters of the multinational corporation reside. Previous findings also recognized some barriers that prevent effective and efficient KM. These barriers include being known as an expert, requisite knowledge too hard to capture and categorize, lack of adequate communication and action, and forcing it (Kevin C. Desouza, 2003)<sup>5</sup>. Recently however, the KM landscape underwent a shift in its quest for effective practice in MNCs’ subsidiaries. Because the KM operations of MNCs are globally dispersed, conflict often occurs as a result of the fact that a variety of different languages, customs and way of thinking are involved. What has not received sufficient attention in this scheme, however, is how to manage knowledge strategically in MNCs’ subsidiaries. Current research is also nascent in examining the KM operations in MNCs’ subsidiaries in a network perspective, which recognizes all the determinants in combining local flexibility with global integration.

## **II. Structure and Methodology**

In this paper, the explicit objectives are to define the problem of KM in MNCs’ subsidiaries specifically; introduce a context model for exploring the problem; identify the best practice that resulted in successful KM in MNCs’ subsidiaries by a case study of Guangzhou Honda Automobile Co., Ltd. (Guangzhou Honda). To achieve these objectives, this paper will be organized as following.

The problem of KM in MNCs’ subsidiaries will be defined first so as to specify the domain of this research at the very beginning. Introducing a context model for exploring KM in MNCs’ subsidiaries will follow it. Then a detailed case study of Guangzhou Honda will be illustrated in order to identify the

best practices that resulted in successful KM. Finally, the findings will be carefully examined so as to ensure that opinions, findings, conclusions, or recommendations expressed in this paper meet academic standards for objectivity, evidence, and responsiveness. Existent literature constitutes the foundation for this paper, and the underlying logic is that successful KM in subsidiaries can strengthen the competitiveness of MNCs in local market as well as global market through quicker market scanning, fostering faster and better decision-making, and improving the performance of implementation. A detailed case study of Guangzhou Honda will be illustrated as the main method to find solution to the relating problem. Case study has been used widely in management research, and Guangzhou Honda serves the purpose of this paper well in several dimensions. Firstly, China is potentially the world's largest growth market. Secondly, Japanese carmakers have been the focus of much analysis by management academics since their successful entry into world automobile market that was previously dominated by entrenched American and European corporations during the 1970s and 1980s. For management academics, especially strategic management scholars, Honda has been playing a prominent role. And thirdly, Guangzhou Honda has been endorsed strongly by media, analysts, and, most important, it's customers in China since it was established. The rapid rise of Guangzhou Honda to the top has been one of the automobile industry's most remarkable success stories in China. Accordingly, Guangzhou Honda has been cited frequently in recent management literature. The frequent citation may result in a certain familiarity felt by academics and managers in real business world. All data used in this paper will be captured, analyzed, and processed in a systematic way to ensure that these data meet academic standards for clearness, authority, and reliability. Mathematical and statistical methods will also be used when necessary. The data sources include authoritative publishers, such as China Association of Automobile Manufacturers, China Economic Daily, and so forth. The websites will also be investigated thoroughly before being considered as a data source.

### **III. Context Model for Exploring KM in MNCs' Subsidiaries**

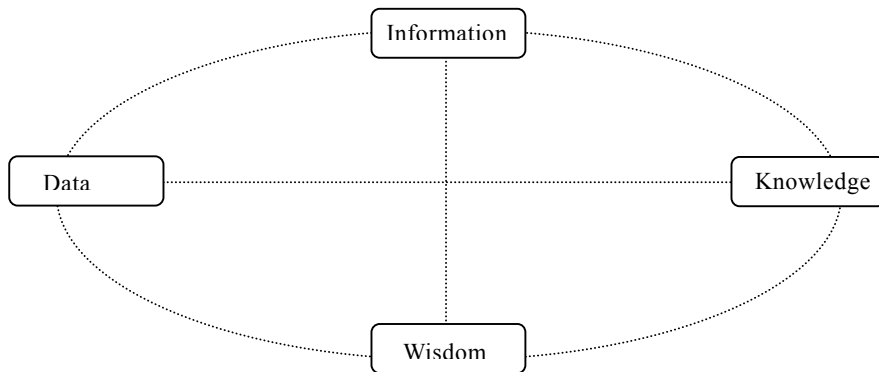
#### **1. Defining Knowledge and Knowledge Management**

Knowledge seems to be on the tips of everyone's tongues. But few stops to think seriously what this term mean exactly. As a matter of fact, there is a long history of debate on what knowledge exactly

means, which traces its roots back to classical Greeks. Unfortunately however, a generally accepted definition of the term knowledge has not yet been achieved. Accordingly, a variety of defensible definitions exist in current literature. Much of the existing definitions of knowledge stopped in a stratospheric level of vagueness while relying on lots of other unspecific-defined terms. But there are some definitions that show insight into the core of knowledge. For instance, it is argued that the package of knowledge includes not only technical knowledge but also “knowledge about how to function in global markets, work with local laws, how to protect intellectual property and how to operate successfully in various forms of partnerships” (Iris Berdrow, Henry W. Lane, 2003)<sup>6</sup>. A key feature of knowledge is that “knowledge improves and cumulates through use and can be reused an infinite number of times.” (Lewis D. Johnson, Edwin H. Neave, and Bohumir Pazderka, 2002)<sup>7</sup>.

This paper defines knowledge as a set of abstractions that facilitate corporations in creating and delivering customer value effectively and efficiently. In the broadest way, this paper defines knowledge as what has been understood tangibly and intangibly, embracing both products and processes. But in real business world, these tangible and intangible aspects of knowledge are interrelated closely instead of being isolated from each other. In other words, both tangible and intangible aspects of knowledge are essential to corporations’ competitiveness. Knowledge traces its roots back to information while information further to data. Data refers to the raw records of isolated facts, while information is defined as a collection of data that has been organized in a certain way. Data constitutes the foundation for the rest. Without data, information and knowledge are like shade without tree. Although today’s knowledge-based economy is extraordinarily hungry for information, there is no intention to say that “the more top decision makers know about their competitive environments, the better their organization will perform”. “After all, facts don’t speak for themselves; one has to make sense of the facts, not just get them straight.” “In light of that reality, another school of pundits contends that it’s not the accuracy and abundance of information that should matter most to top executives-rather, it’s how that information is interpreted.” (Kathleen M. Sutcliffe, Klaus Weber, 2003)<sup>8</sup>. In other words, seeking for better knowledge instead of more and more information is playing an increasingly important role in decision-making process. Unlike information that is about specific instances, knowledge is for making new decisions with different information. “To make a good decision, one needs not only information about the specific instance, but also an understanding of the domain” (Ian Lang, 1999)<sup>9</sup>. Wisdom refers to the knowledge shown in making correct decision that in turn resulted in expected accomplishment.

Wisdom is argued as the hardest to define and achieve (William Horton, 2001)<sup>10</sup>. The wiser the decision-makers are, the better the data will be captured and processed. Figure 1 shows that data, information, knowledge, and wisdom are interrelated closely.



**Figure 1. The interrelationship of data, information, knowledge, and wisdom<sup>11</sup>**

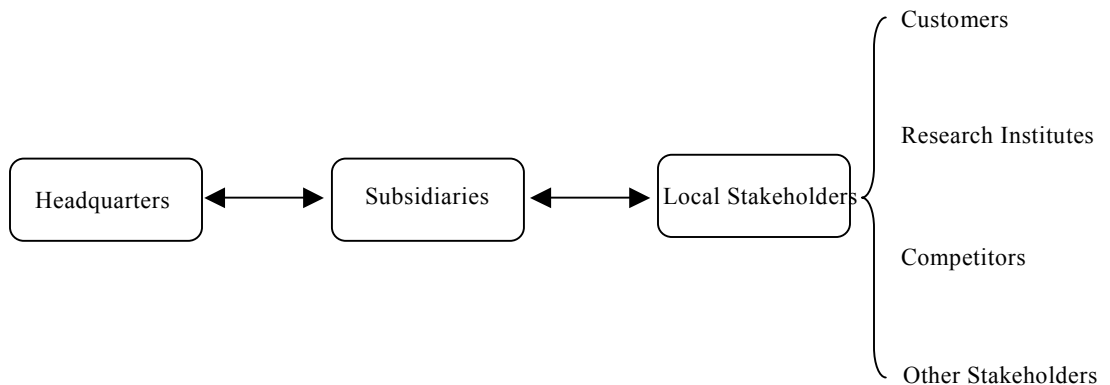
Accordingly, this paper defines KM as a dynamic managerial process to store, exploit and create knowledge so as to strengthen the competitiveness of the corporation locally and globally. What should be emphasized here is that KM goes beyond the implementation of a technology, or better, it is a multidisciplinary process relative to corporate strategy, human resources, and so forth.

## **2. Context Model for Exploring KM in MNCs' Subsidiaries**

It is argued that KM issues in MNCs can be grouped broadly in two perspectives. The two perspectives are micro perspective and macro perspective. KM issues of individual organizations and units are highlighted in the micro perspective, while that of agglomerations of organizations or units in the macro perspective. Further, there are three principal knowledge flow that can be characterized in micro perspective. The three principal knowledge flows are knowledge flow from subsidiary to headquarters, knowledge flows from location to subsidiary, and knowledge flow from subsidiary to location. The role of spatial concentration of industry is observed in the macro perspective, which is usually termed clusters. MNCs usually employ different ways to establish themselves in local market, which includes

wholly owned subsidiary, licensing, and joint ventures (Ram Mudambi, 2002)<sup>12</sup>. By analyzing the evolution of KM research in existent literature, Bo Bernhard Nielsen suggested a new perspective of KM. “This perspective focuses on the synergies of knowledge-related capabilities in explaining the formation and economic justification of strategic integrative arrangements” (Bo Bernhard Nielsen, 2000)<sup>13</sup>.

Based on these pioneering researches, this paper develops a new context model for exploring KM in MNCs’ subsidiaries, which is shown in Figure 2.



**Figure 2 Context Model for Exploring KM in MNCs’**

As shown in Figure 2, KM issues in MNCs’ subsidiaries can be grouped into three categories: KM issues of managing knowledge flow between subsidiary and headquarters; KM issues of managing knowledge flow within subsidiary; KM issues of managing knowledge flow between subsidiary and local stakeholders, such as local customers, local research institutes, local competitors, and other local stakeholders. What should be emphasized here is that local competitors have quite an effect on managing knowledge in MNCs’ subsidiaries. It is important “to learn from the local competitors the experienced value, way of thinking, and culture” (Takatsu Yoshiaki, 1998)<sup>14</sup>. The way to cooperate with competitors in certain areas is discussed in great detail (LI Gang, 1998)<sup>15</sup>. These KM issues can be further divided. For instance, the KM issues of managing knowledge flow between subsidiary and headquarters can be further divided into knowledge transfer and knowledge harvesting, while that within subsidiary into integration, application and leveraging of contributed knowledge and creating new knowledge (Iris Berdrow, Henry W. Lane 2003)<sup>16</sup>. As to exploiting local innovation for

global application, two segments of regionally-driven knowledge mobilization is distinguished. The two segments are local-for-regional knowledge mobilization and regional-for-global knowledge mobilization (Kazuhiro Asakawa and Mark Lehrer, 2003)<sup>17</sup>.

Although different KM issues in MNCs' subsidiaries call for different management treatments, there is no intention to say that these KM issues are isolated from each other. On the contrary, these KM issues are closely interrelated in the daily business operations. Accordingly, it is better to consider KM issues in MNCs' subsidiaries as an integrated process instead of a totality of assembly parts, and tackle these problems by appropriate approaches accordingly. The following formula reflects this way of thinking.

$$\begin{aligned}
 &=f( \quad , \quad , \quad ) \\
 &=f(a, b, \dots) \\
 &=f(a', b', \dots) \\
 &=f(a'', b'', c'', \dots)
 \end{aligned}$$

where:

- : KM performance in MNCs' subsidiaries
- : group of variables of managing knowledge flow between subsidiary and headquarters
  - a: variable of receiving knowledge transferred from the headquarters
  - b: variable of sending knowledge to the headquarters
  - ...: other variable of managing knowledge flow between subsidiary and headquarter
- : group of variables of managing knowledge within subsidiary
  - a': variable of localizing knowledge transferred from the headquarters, which includes application and improvement of the transferred knowledge
  - b': variable of creating new knowledge within subsidiary
  - ...: other variable of managing knowledge within subsidiary
- : group of variables of managing knowledge between subsidiary and local stakeholders
  - a'': variable of managing knowledge flow between subsidiary and local customers
  - b'': variable of managing knowledge flow between subsidiary and local research institutes
  - c'': variable of managing knowledge flow between subsidiary and local competitors
  - ...: other variable of managing knowledge between subsidiary and local stakeholders



## **IV. A Case Study of Guangzhou Honda**

Having laid out the context model, the following pages examine the ongoing KM operations in Guangzhou Honda so as to identify the best practice of KM in MNCs' subsidiaries. The analysis is organized into three categories according to the context model. Firstly, KM operations relative to managing knowledge between Guangzhou Honda and its parent corporations are explored. Secondly, KM operations within Guangzhou Honda are explored. And thirdly, KM operations relative to managing knowledge between Guangzhou Honda and its local stakeholders are explored. These local stakeholders include local customers, local research institutes, local competitors, and so forth.

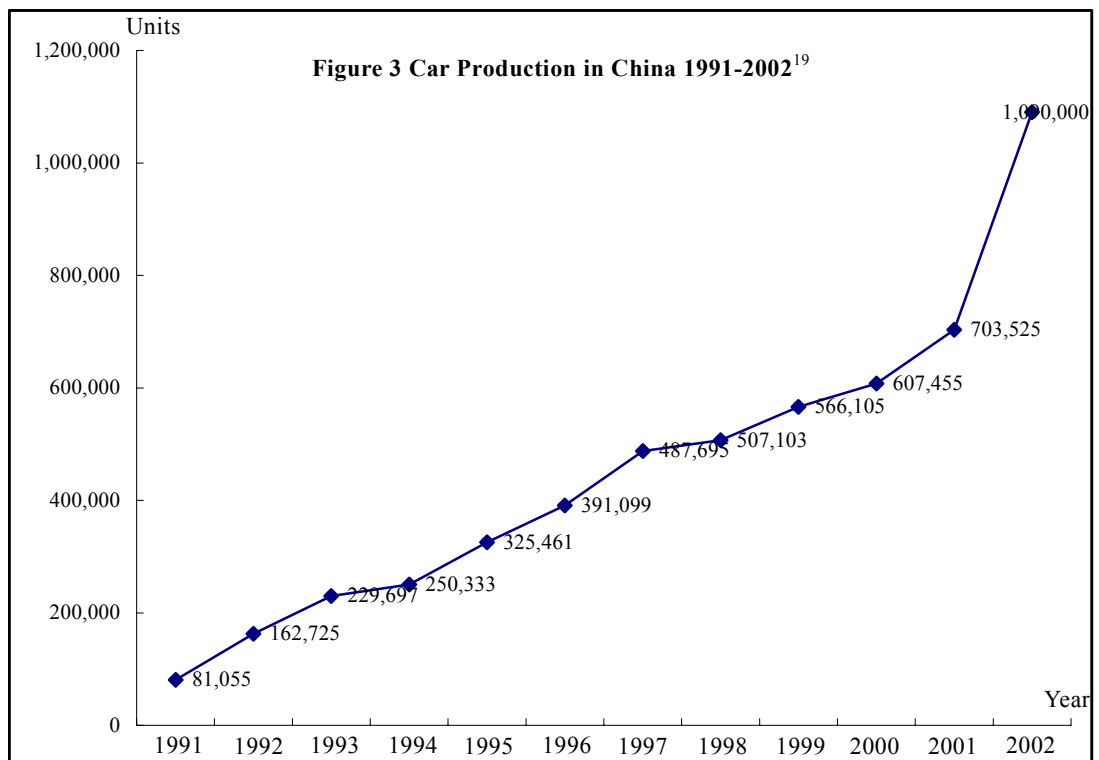
### **1. Guangzhou Honda: An Overview**

China is potentially the world's largest growth market. The demand for cars in China is accelerating at a remarkable rate and seems to have no ceiling. "Last year, sales of saloons rose by over half, to more than 1 million, Henry Wu, an analyst with UBS Warburg in Shanghai, expects them to rise by another 20% this year" (The Economist, 2003)<sup>18</sup>. As shown in Figure 3, car production has also been increasing in China for more than ten years. The boom in no doubt has strengthened most multinational carmakers' commitment to China. "In a single three-month period last year, Toyota, Hyundai and Nissan announced investments of \$3.4 billion in total to build factories that will, collectively, build 2m cars by 2010. Volkswagen, GM, Kia and DaimlerChrysler are all expanding or adding factories." (The Economist, 2003)<sup>20</sup>. Unfortunately, however, not all multinational carmakers, both first comers and latecomers have realized what they have been dreaming about China for more than two decades. There is no surprise to find some multinational carmakers came to China, made losses, and even left at last. Obviously, however, Honda is not among them.

On July 1<sup>st</sup>, 1998, Guangzhou Honda was established in Guangzhou City, Guangdong Province, the People's Republic of China, as a 50/50 joint venture between Honda Motor Co., Ltd (Honda) and Guangzhou Automobile Group (Guangzhou Automobile), to serve Chinese automobile market by local manufacturing. The registered capital is RMB Yuan 1.16 billion with a contractual period of 30 years. Honda is a high-profile automobile manufacturer that has attracted particular attention both in academic and practice since its successful entry into world automobile market during 1970s and 1980s.

タイトル (氏名)

Guangzhou Automobile, the Chinese partner, is also a well-established automobile manufacturer and plays a very important role in Chinese automobile industry<sup>21</sup>.



Source: China Automobile Industry Information Center

China Association of Automobile Manufacturers

Guangzhou Honda started small instead of making huge investments at the very beginning, such as setting up a spanking new factory and so forth. Guangzhou Honda took over the money-losing operation of Guangzhou Peugeot, a Sino-French Joint venture which is established on July 22<sup>nd</sup>, 1985<sup>22</sup>, and invested RMB Yuan 2.2775 for the first stage<sup>23</sup>. By contrast, the total investment of Shanghai General Motor is U.S. Dollars 15.2 billion<sup>24</sup>. Then Guangzhou Honda launched a large-scale reforming plan in the 13-year-old manufacturing facilities and sites aimed at returning its operation there to profitability. It was a challenging plan with tough targets, but Guangzhou Honda achieved them. According to the guiding principles to exploit the existing resources available to full extent, Guangzhou Honda showed its ability to squeeze costs out of its revitalized manufacturing facilities. In an interview

with Beijing Youth, YUAN Zhongrong, the vice general manager of Guangzhou Honda, revealed that starting small instead of establishing wholly new manufacturing facilities turned out very well. Reforming the existing manufacturing facilities reduced the risks relative to huge investment at the very beginning and shortened the time it takes to recover the investment. As a result, the cars produced in Guangzhou Honda could be sold at a reasonable price. This satisfied the needs and wants of the customers in China automobile market<sup>25</sup>. As a matter of fact, Guangzhou Honda posted many “firsts” in China automobile industry. For instance, it is Guangzhou Honda that first achieved the annual sales of 30,000 among intermediate and luxury carmakers in China<sup>26</sup>.

Guangzhou Honda began production of the Accord (Generation Six) in 1998<sup>27</sup>. Historically, Accord (First Generation) was introduced in 1976<sup>28</sup>, and from that time, Accord keeps on redefining the car standard with state-of-the-art technologies. From 1982 to 1996, sales of the Accord kept on being ranked No. 1 in American automobile market for 15 years<sup>29</sup>. On March 26<sup>th</sup>, 1999, a ceremony was held for the first Accord produced in Guangzhou Honda<sup>30</sup>. Made-in-Guangzhou Accord turned out to be a hit in China automobile market, and has been endorsed strongly by automobile media, analysts, and, most important, it's customers since it was introduced to local market. In April 1999, the inspection line to guarantee the quality of the complete car in Guangzhou Honda was ranked the highest of Chinese automobile industry<sup>31</sup>. Thanks to the high quality and reasonable price, made-in-Guangzhou Accord compete strongly in the market and outpaced its main rivals such as the Buick of Shanghai General Motors Co., Ltd., Audi of FAW-VW Automotive Co., Ltd, and Passat of Shanghai Volkswagen Automotive Co., Ltd. The demand for Accord keeps on exceeding the supply since it was introduced into China car market. Customers usually have to wait three months before having the chance to order a made-in-Guangzhou Accord owing to the excessive demand. At its peak time, the real unit price of Made-in-Guangzhou Accord on the market is RMB Yuan 50,000 higher than the regular price stipulated by Guangzhou Honda<sup>32</sup>. In November 1999, Guangzhou Honda met China's 40% local content rule<sup>33</sup>. From 7<sup>th</sup> to 9<sup>th</sup> December 1999, Guangzhou Honda launched a campaign to demonstrate the Accord with 40% local content. Contrary to the traditional prejudice that local manufacturing means poor quality in China, made-in-Guangzhou Accord with 40% local content keeps on enjoying the prestige value of high quality<sup>34</sup>. According to the inspection carried out by quality specialists from Honda, the product quality of Guangzhou Honda was ranked No. 1 among the overseas factories of Honda<sup>35</sup>. On December 13<sup>th</sup>, 1999, the production of made-in-Guangzhou Accord reached 10,000<sup>36</sup>.

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Riding a wave of growing consumption, Guangzhou Honda keeps on launching new models of Accord. On March 22<sup>nd</sup>, 2000, Guangzhou Honda held a line-off ceremony for the Accord 2.0EXi. Production of the Accord 2.0EXi enlarged the product line of Made-in-Guangzhou Accords to 3 models<sup>37</sup>. On December 13<sup>th</sup>, 2000, the cumulative production of Made-in-Guangzhou Accord reached 30,000. It is Guangzhou Honda that first has an annual production of 30,000 among intermediate and luxury carmakers in China<sup>38</sup>. By contrast, it took Shanghai Volkswagen 4-5 years and FAW Volkswagen 5-6 years to reach that point<sup>39</sup>. The market share of Guangzhou Honda in the car market increased from 1.7% in 1999 to 5.3% in 2000. In the intermediate and luxury car market, the market share of Guangzhou Honda increased from 8% in 1999 to 29% in 2000<sup>40</sup>. The success of Accord helped Guangzhou Honda make a pretty strong start. When Guangzhou Honda stopped production of the Accord (Generation Six) on December 4<sup>th</sup>, 2002, the cumulative production of Made-in-Guangzhou Accord reached 139,000 units<sup>41</sup>.

Although profitability has long been a dream for most carmakers in China, chances to make profits are slim for years, due largely to a killer combination of high costs and low sales. But Guangzhou Honda resisted this trend. The profit and tax of Guangzhou Honda was over RMB Yuan 4 billion in 2000<sup>42</sup>. Table 1 showed the main economic index of leading carmakers in intermediate and luxury car market.

**Table 1. The Key Economic Index of Leading Intermediate and Luxury Carmakers in China (2000)** <sup>43</sup>

Company	Car Models	P (Units)	AAPT/P	CRFC	PT/C
Guangzhou Honda	HG7230, 7200	32,228.00	1,534,658	7.20	131.58
FAW-VW	AUDI	15,859.00	875,667	3.02	42.82
Shanghai Volkswagen	STN, STN2000, PASSAT	221,524.00	567,787	2.29	33.90
Shanghai GM	BUICKGL, BUICKGL8 BUICKGLX/XSJ/GS	30,024.00	743,864	2.16	19.61
China FAW Gruoup	CA7220, CA7180	15,365	23,122	1.40	7.43
Beijing Jeep	BJ2021	4,867.00	-68020	0.67	-14.59

Where:

P:                      Production

AAPT/P: Annual Average Profit & Tax/person

CRFC: Circulation Rate of Flowing Assets

PT/C: Profit & Tax/Capital Rate

Source: China Automobile Industry Information Network

Sales of the Made-in-Guangzhou Accord continued to accelerate on a strong pace in 2001. On April 10<sup>th</sup>, 2001, Guangzhou Honda held a ceremony for Accord 3.0V6, a new environment friendly model of Accord<sup>44</sup>. And on December 20, 2001, the cumulative production of Accord reached 50,000<sup>45</sup>. In the 2001 Comprehensive Assessment of Corporation, Guangzhou Honda was put ahead of most China carmakers and in the industry's top ranks. The net capital return ratio of Guangzhou Honda reached 61.23%, while its total labor production rate bigger than RMB Yuan 770,000 and total capital contribution rate bigger than 19%. Guangzhou Honda was also characterized as a "silent money-maker" for its ability to make high profit in short term. Guangzhou Honda also scored the highest gain of any automakers in China according to that assessment. Take net capital return ratio for example, Guangzhou Honda set an industry record of 61.23%. In other words, RMB Yuan 100 can generate a stashing profit of RMB Yuan 61.23 profit in Guangzhou Honda<sup>46</sup>.

China car market changed dramatically in 2002. Despite a fierce price war in domestic market following China's entry into the World Trade Organization, Guangzhou Honda moved aggressively to continue the momentum it had. On March 1<sup>st</sup>, 2002, the cumulative production of made-in-Guangzhou Accord reached 100,000. On April 10<sup>th</sup>, 2002, Guangzhou Honda held the line-off ceremony for Odyssey<sup>47</sup>. Thanks to the advanced technology and innovative design, launching Odyssey propelled Guangzhou Honda to becoming one of the most favorite carmaker in China. For instance, sales of the Odyssey reached 8,684 within half a year in 2002<sup>48</sup>, while that of Buick, a strong competitor to Odyssey managed to reach an annual sales over 10,000 after two-year hard working<sup>49</sup>. From January to November, the accumulative production of Guangzhou Honda was 56,495 units, including 44,858 units of the Accord and 11,637 units of the Odyssey. During this period, Guangzhou Honda sold 56,216 cars, including 44,821 units of the Accord and 11,395 units of the Odyssey<sup>50</sup>. In 2002 China Car User Satisfaction Research, Guangzhou Honda was ranked No. 1 in China with a car user satisfaction index of 77.49%, which is approximately equivalent to that of imported cars<sup>51</sup>.

Early 2003 was a challenging time – one that none of Chinese will ever forget. At the end of 2002,

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SARS broke out in Guangdong Province and quickly spread like wildfire. The whole country suddenly fell into shadow of the terrible virus. On April 2<sup>nd</sup> the World Health Organization its first-ever travel alert, saying that the disease in Guangdong province is most virulent<sup>52</sup>. Despite SARS, however, Guangzhou Honda kept on developing very fast. In April 2003, Guangzhou Honda produced 11,367 cars and sold 11,255 cars, which was the highest record of Chinese automobile industry in that month. Guangzhou Honda also posted a daily production of 500 with daily production value over RMB Yuan 100 million. Table 2 showed that in great detail<sup>53</sup>. These facts say a lot about Guangzhou Honda's improved competitive position. Also in this year, Guangzhou Honda held the off-line ceremony of the Accord 2.4i-VTEC, the Seventh generation of the Accord, on January 15<sup>th</sup>, 2003<sup>54</sup>. On June 27<sup>th</sup>, 2003, the cumulative car production of Guangzhou Honda reached 200,000. Up till July 2003, the cumulative production value of Guangzhou Honda has reached RMB Yuan 43.5 billion while the cumulative profit and tax has reached RMB Yuan 16.5 billion<sup>55</sup>. The degree of speed that Guangzhou Honda is developing has also encouraged Honda to enlarge its investment in China. On May 29<sup>th</sup>, the groundbreaking ceremony for a new passenger car plant of Honda in China, Honda Automobile (China) Co., Ltd., was conducted in the Export Processing Zone of Guangzhou Economic & Technological Development District. It's planned to start production of small 1.0- to 1.5-liter passenger cars with an annual production of 50,000 units exclusively for overseas markets, primarily in Europe and Asia<sup>56</sup>.

**Table 2. Economic index of Guangzhou Honda January-April, 2003**

	January-Aril, 2003	January-Aril, 2002	Comparison (approximation)
Car Production	27,615 Units (including Accord and Odyssey)	17,182 Units	162.22%
Cars Sold	27,075 Units	15,901 Units	158.73%
Production Value	RMB Yuan 5.713 billion	RMB Yuan 2.39 billion	141.86%
Profit and Tax	RMB Yuan 1.865 billion	RMB Yuan 0.54 billion	128.8%

Source: Guangzhou Daily, May 21<sup>st</sup>, 2003.

Guangzhou Honda also has a firm commitment to addressing social and environmental concerns. Preserving and protecting the environment is important to everyone at Guangzhou Honda. Guangzhou Honda manages to balance economic, social, and environmental considerations in all of its actions. Guangzhou Honda has made it company philosophy “Concerning Nature, Creating Constant Value”. Guangzhou Honda has reduced energy consumption and emissions at its facilities. The goal at Guangzhou Honda is to conduct real “green operation” in its manufacturing facilities and sites. In June 2000, Guangzhou Honda received its ISO9002 certificate, and one-year later ISO14001 certificate. Earlier than the adopting time planned by Chinese government, the emission of Made-in-Guangzhou cars meet the standard that is equivalent to Europe II Standard. Guangzhou Honda also invested heavily in upgrading its waste treatment facilities. For instance, Guangzhou Honda built a water recycling system by using advanced biochemical comprehensive treating system. The quality of recycled water is even higher than the first degree of national discharge standard in China<sup>57</sup>.

Over the past 15 years, Guangzhou Honda has worked hard to maintain a leadership position as a valued, responsible corporate citizen in China. Whether expressed in financial support or in-kind donations, or in features and services. Guangzhou Honda has established a very good relationship with the local governments and communities. For instance, Guangzhou Honda didn't dismiss most employees when it took over Guangzhou Peugeot. In partnership with the local government, Guangzhou Honda revitalized the old manufacturing facilities and sites, and, more importantly, converted them into productive, job-creating complexes that benefit the local communities<sup>58</sup>. Up till April 2003, the local content of Made-in-Guangzhou Accord has reached 70%, and the increase of local content played a crucial role in pushing the local economic development<sup>59</sup>. Guangzhou Honda also played an important role in promoting social development in China. On April 28<sup>th</sup>, 2001, Guangzhou Honda, together with other three Honda joint ventures in China, donated RMB Yuan 3 million to China Green Fund Committee<sup>60</sup>. On April 28<sup>th</sup>, 2003, when China was in the shadow of SARS, Guangzhou Honda contributed RMB Yuan 1 million to Guangzhou Red Cross for the research on SARS prevention and treatment<sup>61</sup>. As a result, Guangzhou Honda has been regarded as one of the favorite companies with foreign investment in China. For instance, in 2002 The Favorite Companies with Foreign Investment in China Research, Guangzhou Honda was ranked among the country's top 20 companies<sup>62</sup>.

## **2. Strategic knowledge management in Guangzhou Honda**

Although there may be many reasons to explain its success, strategic KM plays a crucial role in deciding Guangzhou Honda's performance. The strategic KM is evident in four best practices: planning KM strategically in Guangzhou Honda, managing KM network instead of isolated KM activities, improving KM performance by continuous learning, and decentralizing KM locally while integrating globally.

### **1. Planning KM Strategically in Guangzhou Honda.**

Japanese MNCs have been applauded for its capability to position through long-term planning since their world success in 1970s. Obviously, Honda is a prominent one among them. The success of Guangzhou Honda can also be traced back to planning KM strategically. Planning KM strategically not only generates benefits at the lower lines of organizational hierarchy of Guangzhou Honda from traditional knowledge transfer, but also improves the collaboration to create new knowledge at the upper ones by brainstorming. In an interview with Beijing Youth 2000, YUAN Zhongrong, the vice general manager of Guangzhou Honda at the time, confirmed that strategic planning played a crucial role in the development of Guangzhou Honda. For instance, Guangzhou Honda had planned its business development by 2010. This includes the specific plans of all product, date to launch, and financial arrangement<sup>63</sup>.

China car market is an emerging market, and "emerging markets are characterized by context-specific impediments to knowledge integration and development of organization capability for local responsiveness to market opportunities" (Michael G. Harvey, Cheri Speier, Milorad M. Novicevic, 1999)<sup>64</sup>. In such a business environment, Guangzhou Honda plans KM in a step-by-step way to grow along with the development of China car market. This is also in line with the findings that knowledge has a life cycle and "by better understanding this process of evolution, organizations can tailor their knowledge-management techniques to the particular stage of the life cycle they are in and extract greater value from their knowledge assets"<sup>65</sup>.

For instance, Guangzhou Honda focused on the knowledge diffusion of producing Accord (Generation Six) at the very beginning. On 26<sup>th</sup>, 1999, a line-off ceremony was held for the first



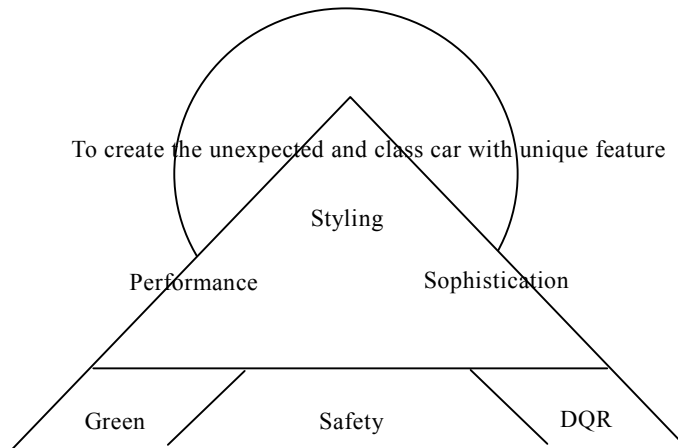
Made-in-Guangzhou Accord. Made-in-Guangzhou Accord soon turned out to be a hit in China car market. When Guangzhou Honda stopped the production of Accord (Generation Six) on December 4, 2002, the cumulative sales reached 139,000 units. The success of Accord (Generation Six) constitutes a firm foundation for Guangzhou Honda to expand its product line by adding new models of the Accord. By March 22<sup>nd</sup>, the models of Made-in-Guangzhou Accord have been increased to 3. They are Accord 2.3Vti-E Luxury Model, Accord 2.3Vti-L Common Model, and Accord 2.0Exi Environmental Friendly Model. One year later, a new model of Made-in-Guangzhou Accord was added. On April 10<sup>th</sup>, 2001, a line-off ceremony was held for the first Made-in-Guangzhou Accord 3.0V6. On January 12, the cumulative production of made-in-Guangzhou Accords reached 100,000.

When KM relative to producing Accord became mature, Guangzhou Honda moved aggressively to expand its product line by adding a new series of cars. On April 10<sup>th</sup>, 2002, Guangzhou Honda held a line-off ceremony to launch production of the Odyssey. Only 8 months later, Odyssey Delicacy Version was introduced. Odyssey provides both driver and every passenger with individualized comfort and capabilities that far exceed the expectation of even the most demanding and discriminating tastes. Odyssey builds on Honda's heritage of design leadership while pioneering meaningful technologies that customers want and use. But development of the Accord was not handicapped by production of the Odyssey. On January 15<sup>th</sup>, 2003, Guangzhou Honda held a line-off ceremony to launch production of the all-new Accord 2.4i-VTEC. The made-in-Guangzhou Accord 2.4i-VTEC belongs to Accord (Generation Seven) that was introduced by Honda around the world at the same time. Although the all-new made-in-Guangzhou Accord is based on Accord (Generation Seven) U.S. Version, a variety of modifications are made to better match the local usage habits and road conditions in China. The all-new made-in-Guangzhou Accord offers excellent driving performance as well as functionality while keeping Guangzhou Honda's tradition to achieve higher levels of quality, reliability and safety. By achieving the Euro 3 standard for tail pipe emissions, the all-new Made-in-Guangzhou Accord becomes more environmental friendly. And the sporty styling makes it more attractive. The successful KM relative to producing the Accord and the Odyssey constitutes a firm foundation for Guangzhou Honda to further expand its product line. On September 28<sup>th</sup>, 2003, the Fit Saloon, a compact car, was introduced to the market<sup>66</sup>.

Guangzhou Honda is driven by a unique set of constant concepts while planning KM in a step-by-step way. These constant concepts outline how Guangzhou Honda deliver value to its

タイトル (氏名)

stakeholders by delivering high-profile products and services in an ethical and responsible way, and set standards in areas that are essential for Guangzhou Honda to survive and thrive. It is these constant concepts that helped Guangzhou Honda succeed to this point and will support the drive to a more sustainable future. For instance, Guangzhou Honda sticks to the same concept to achieve the highest quality in driving performance when developing new models of the Accord. This concept is shown in Figure 4.



**Figure 4.** The Developing Concept of the Accord

Source: Guangzhou Honda Automobile Co., Ltd<sup>67</sup>.

## 2. Managing KM Network Instead of Isolated KM Activities

In discussing the potential competitive advantage that corporations can gain in the international business arena, Michael E. Porter developed a diamond model based on four factors. The four factors are demand conditions, factor conditions, relating and supporting industries, firm strategy, structure and rivalry<sup>68</sup>. And at the firm level, it has been pointed out that the internal and external network play a crucial role in deciding the performance of the corporations that invest in foreign countries directly (Takatsu Yoshiaki, 1999)<sup>69</sup>. KM in Guangzhou Honda is in line with these findings. For instance, customers are at the top of the local network that is shown in Figure 2. And the importance of capturing value in customer interactions has been emphasized in recent management literature (Mark Vandenbosch, Niraj Dawar, 2002)<sup>70</sup>. To better serve its local customers, Guangzhou Honda introduced a franchise sale service system that features “Four in One”. It is Guangzhou Honda that first introduced

“Four in One” franchise sale service system to China<sup>71</sup>. Unlike the others, this is a franchise sale service system developed by Guangzhou Honda directly and integrates four business functions into one organization. The four business functions are sale of cars, after-sale service, parts supply, and communications with customers<sup>72</sup>. It is this “Four in One” franchise sale service system that guarantees 100% customer satisfaction that started in a dealership showroom. Taking advantage of this “Four in One” sale service system, the franchise dealers of Guangzhou Honda play a positive role in shaping the overall customer experience from shopping to purchasing and meeting after-sale service requirements. This “Four in One” franchise sale service system helps Guangzhou Honda achieve a high customer loyalty rate. This “Four-in-one” franchise sale service system also plays a crucial role in obtaining, processing, and analyzing market information. It helps Guangzhou Honda provide its local customers with best solution to satisfy their need and want at the very first time<sup>73</sup>. As shown in Figure 5, Guangzhou Honda has established 140 franchise shops that entrenched in the leading regions of China up till August 7<sup>th</sup>, 2003. Guangdong has by far the highest proportion of franchised shops, followed by Jiangsu, Zhenjiang, and Beijing.



**Figure 5. The franchise shops of Guangzhou Honda in China**

Sources: Guangzhou Honda Automobile Co., Ltd.<sup>74</sup>

According to the context model that is shown in Figure 2, research institutes also play an important role in the local network. Usually cooperating with local independent research institute can enjoy economies of scale and reduce the relating risks. In partnership with local independent research institute, Guangzhou Honda balanced the relationship between self-reliant research and trusting outside partner with the research. For instance, instead of self-reliant research, Guangzhou Honda trusted Hainan Motor Test Research Institute with the research tasks to test the reliability of the made-in-Guangzhou Accord against strengthened rough road. Hainan Motor Test Research Institute is an independent

research institute with long history and has conducted many experiments for automobile manufacturers in China<sup>75</sup>. From June 26<sup>th</sup> to August 25<sup>th</sup>, 20,000 kilometers driving on strengthened rough road experiment was carried out by Hainan Motor Test Research Institute. The 20,000 kilometers driving on strengthened rough road is equal to 26,000 kilometers driving on normal road. Hainan Motor Test Research Institute provided its expertise in conducting this research. Such kind of corporation with local independent research institute helps Guangzhou Honda conduct the relating experiment faster and achieve greater economies of scale<sup>76</sup>. Although offshore knowledge incubation has been argued as a novel path of MNC subsidiary evolution (Mark Lehrer, Kazuhiro Asakawa, 2002)<sup>77</sup>, Guangzhou Honda is obviously in its nascent stage. By contrast, Honda Motorcycle R&D China Co., Ltd. has started to conduct motorcycle research and development activities in China in 2003<sup>78</sup>.

### **3. Improving KM Performance through Continuous Learning**

Because KM is as much about culture, organizational or behavioral change, it is impossible for a company to achieve the full benefits of KM if its employees are unwilling to share their knowledge through continuous learning. In other words, the gist of KM has to do with human aspects, such as behavior, culture, and so forth. The challenges of making change in human side are big, but so are the awards. Recent research has thrown new light on these issues. For instance, in pursuit of more productive knowledge work, Thomas H. Davenport, Robert J. Thomas and Susan Cantrell offered a framework that includes two dimensions. The two dimensions are degree of segmentation and degree of choice (Thomas H. Davenport, Robert J. Thomas and Susan Cantrell, 2002)<sup>79</sup>.

Training plays a crucial role in the continuous learning process. When took over Guangzhou Peugeot, Guangzhou Honda kept most employees. Even in 2000, more than 90% employees in Guangzhou Honda used to work for Guangzhou Peugeot. Contrary to the money-losing operation in Guangzhou Peugeot, however, the working force in Guangzhou Honda has been ranked as the strongest in China automobile industry. As shown in Table 1, the person profit contribution of Guangzhou Honda is much higher than other carmakers in China. The difference came as a result of the well-designed training programs employed in Guangzhou Honda. Thanks to the company-wide training system, Guangzhou Honda supports a strong and diverse base of learning program for all employees. The training system provides employees with a two-way training approach, and employees are

タイトル (氏名)

connecting members of this system. On the one hand, as a member of this training system, employees in Guangzhou Honda can receive various training frequently; and on the other hand, employees can also ask the human resources department in Guangzhou Honda to arrange tailor-made training programs that better meet their need and want. According to the different requirement of employees in different departments or working teams, Guangzhou Honda arranges various training programs with hope to improve employee's basic abilities and skills and improve the performance in working and management. The content of these training programs include specialized working experiences and skills as well as universality of theoretical and practical knowledge.

For instance, the content of general training program includes computer application, foreign language, TQC, and so forth. A case in point is the HFC 1 training program, where HFC 1 is the abbreviation of Honda Fundamental Course 1. This training program is designed for the employees who started to work in Guangzhou Honda within 1 year. The objective of HFC 1 training program is to foster teaming working spirit among employees and demonstrate how to work and improve working performance in Guangzhou Honda. Different from HFC1, HFC 2 is training program designed for the employees who have worked in Guangzhou Honda for at least 3 years. The content of this training program includes understanding the meaning of work, responsibility, and human relationship in working sites, fostering the initiative for personal growth. Guangzhou Honda offers many tailor-made training programs besides these general training programs. For instance, Guangzhou Honda offers a training program on international business management that is designed for the employees who work at the middle and high management levels in Guangzhou Honda with hope to improve their managerial skills and performance. Guangzhou Honda also offers a training program on CAD application for the employees who work at the R&D department. These training programs help the employees in Guangzhou Honda develop an awareness of management, automobile technology, and environment and reinforce them with solid knowledge and real-world applications<sup>80</sup>.

It has been pointed out that “tacit knowledge is more easily communicated as relationships are built through small group interaction and as group members build up common experiences” (Sharon O'Donnell, Timothy Blumentritt, 1999)<sup>81</sup>. The transfer of knowledge in the form of skills and expertise is likely to occur through informal interaction rather than formal training. In other words, both formal training programs and informal interactions among employees play a crucial role in diffusing knowledge. A similar vein is seen in Guangzhou Honda. For instance, a variety of competitions are

organized to facilitate the continuous learning process in Guangzhou Honda. A case in point is the After-sales Service Techniques and Skills Competition organized by Guangzhou Honda periodically. On March 24<sup>th</sup>, 2001, Guangzhou Honda organized the first After-sale Service Techniques and Skills Competition. 66 franchise shops sent their representatives to participate in this competition<sup>82</sup>. From May 18<sup>th</sup> to July 19<sup>th</sup>, 2002, Guangzhou Honda organized the second After-sale Service Techniques and Skills Competition. 120 representatives from the franchise shops of Guangzhou Honda participated in this competition<sup>83</sup>. Such kind of competitions help the franchise dealers share their experience in serving the customer and upgrade after-sale service techniques and skills.

#### **4. Decentralizing KM Locally While Integrating Globally**

Along with the globalization of the corporation, it becomes increasingly important to balance the relationship between KM in subsidiaries and that in headquarters. A big problem facing MNCs is how keep KM in headquarters effective while that in subsidiaries flexible at the same time. By analyzing the data collected through personal interviews with senior managers at 34 U.S. multinational headquarters, 23 U.K. affiliates, and 50 Southeast Asian affiliates, it has been pointed out that more highly controlled affiliates tend to have poorer performance evaluations (Malika Richards, 2000)<sup>84</sup>. It is true that over-centralization of KM may result in paralysis. On the contrary, however, excessive decentralization of KM in subsidiaries without global strategic integration may also lead to chaos. When KM in subsidiaries becomes more flexible, the need for developing corporation-wide strategic integration becomes more imperative. Paradoxically, the more decentralized KM in subsidiaries become, the more imperative the need for corporation-wide strategic integration is.

Accordingly, a unique set of management approaches should be developed to decentralize KM locally while integrate globally. Guangzhou Honda handles this by introducing NGH in 2002. NGH stands for New Guangzhou Honda. Based on common interests, NGH is organized voluntarily by employees in Guangzhou Honda, and serves as a novel way to tackle the problems in running the business. The objective of NGH is to create a harmony and dynamic working environment through team working and self-discipline. Communication, cooperation, and innovation are always priorities in NGH activities. There were 38 NGH teams with 244 participants at the beginning. And then the number of NGH teams increased to 175. 1,100 employees, say 12% of the total employees participated in NGH

activities at the beginning, and then it increased to 45%. NGH teams in Guangzhou Honda build a collective passion for new ideas. They strive for automobile innovation that stands out from the competition and results in great products. To do so, NGH teams in Guangzhou Honda focus on thinking beyond “the way it’s done” to better ways that can be done. Take the Diamond NGH team in Guangzhou Honda for example. The slogan of this NGH team is “Not to make porcelain without diamond”. This slogan comes from a well-known proverb in China and indicates people who said it have confidence in handling the most difficult task. The Diamond NGH team in Guangzhou Honda chose the research on car axle adjustment as the objective. Although it is a difficult piece of work, the Diamond NGH team overcame by analyzing from every aspect of the problem and finding solution to improve it. Thanks to the joint efforts, the Diamond NGH team won a gold medal in 2002 Guangzhou Honda NGH Conference<sup>85</sup>.

NGH has a strong relationship with NHC in Honda. NHC stands for New Honda Circle. NHC has been playing a crucial role in the growth of Honda. Although it seems like a common quality circle, NHC of Honda has a unique set of characteristics that distinguish it from the similar ones in other corporations. The characteristics include ongoing focus, self-problem-defining, and so forth. The core of NHC is that NHC is organized voluntarily by employees with common interest in Honda. By using techniques and tools available in Honda, NHC aims at the most challenging task. Thanks to the unofficial nature, NHC members have freedom to choose the research objective and decide which is the best way to handle it. The frequently cited benefits of NHC include finding solution to the most difficult problem, improving business performance, fostering the growth of employees in Honda, and so forth. Instead of being isolated from each other, NGH has been well integrated with NHC. NGH plays a crucial role in pushing NHC activities around the world to a higher level. For instance, on August 4<sup>th</sup>, 2002, Honda held NHC China Area Conference in Guangzhou. Over 300 representatives from the seven joint ventures established by Honda in China participated in this conference. There were 610 NHC teams scattered in the joint ventures established by Honda in China in 2002. 3,812 employees participated in NHC activities and occupied 29.7% of the total employees of these joint ventures. During the conference, 21 teams including that from Guangzhou Honda demonstrated the results of their research. The findings have a wide range of subjects that include quality control, technology, cost, management, operation efficiency, and machine maintenance. Winners in this conference including the Diamond Team from Guangzhou Honda also won the chance to participate the NHC World Conference



held by Honda in Kumamoto, Japan<sup>86</sup>. Thanks to such arrangement, KM in Guangzhou Honda is strategically integrated with that in Honda.

## V. Conclusions

In today's turbulent and disruptive marketplace where KM has been argued as the only way to renew competitive advantage, a unique set of managerial approaches should be developed to manage knowledge in all organizations, especially in MNCs. More important, along with the market evolution, tomorrow's opportunities and threats are more relevant in such a constantly changing marketplace even though many corporations failed to realize it, managing knowledge strategically is becoming a necessity in deciding corporations' potential to survive and grow given that the rules of game in today's business arena have changed dramatically. Existing findings, however, failed to pay enough attention to how to manage knowledge strategically in MNCs' subsidiaries. More specifically, current research is nascent in examining KM in MNCs' subsidiaries in a network perspective, which recognizes all the determinants in combining local flexibility and global integration.

In this paper, the problem of KM in MNCs' subsidiaries has been specifically defined at the very first stage. Contrary to the hot discussion of knowledge and KM, few stops to think seriously what these terms exactly mean. As a result, a variety of defensible definitions exist in current literature. Although there are some definitions that give insight to the core of knowledge and KM, most stopped in a stratospheric level of vagueness while relying on lots of other unspecific-defined terms. This paper defines knowledge as a set of abstractions that facilitate corporations in creating and delivering customer value effectively and efficiently. In the broadest way, this paper defines knowledge as what has been known tangibly and intangibly, embracing both product and process. But in real business practice, these tangible and intangible factors are integrated tightly instead of isolated from each other. In other words, both tangible and intangible dimensions of knowledge are essential in deciding business competence. Knowledge traces its root to information while information further to data. The interrelationship among data, information, knowledge, and wisdom is showed in Figure 1. In light of this reasoning, KM should be recognized as a dynamic, interactive process supported by technology with hope to strengthen the competitiveness locally and globally.

This paper develops a new model for exploring KM in MNCs' subsidiaries with a new viewpoint

based on the pioneering research. As shown in Figure 2, KM problems in MNCs' subsidiaries are grouped into three categories: (1) KM problems relating to managing knowledge flow between subsidiary and headquarters; (2) KM problems relating to managing knowledge flow within itself; (3) KM problems relating to managing knowledge flow between subsidiary and local stakeholders, such as local customer, local independent research institute, local competitor, and other local stakeholders. This new context model for exploring KM in MNCs' subsidiaries is also explained in a mathematical way that is shown in Equation 1.

Using the context model, this paper examines the ongoing KM activities in Guangzhou Honda Automobile Co., Ltd (Guangzhou Honda) to recognize the best practices of KM in MNCs' subsidiaries. The best practice of KM in Guangzhou Honda has been identified. It includes planning KM in Guangzhou Honda strategically, managing KM network instead of isolated KM activities, improving KM performance by continuous learning, and decentralizing KM locally while integrating globally.

Taking into account the fact that China car market is an emerging market, Guangzhou Honda plans KM in a step-by-step way to grow along with the development of China car market. For instance, Guangzhou Honda focused on the knowledge diffusion of producing Accord (Generation Six) at the very beginning. When KM relative to producing Accord became mature, Guangzhou Honda moved aggressively to expand its product line by adding a new series of cars. Guangzhou Honda is driven by a unique set of constant concepts while planning KM in a step-by-step way. These constant concepts outline how Guangzhou Honda deliver value to its stakeholders by delivering high-profile products and services in an ethical and responsible way, and set standards in areas that are essential for Guangzhou Honda to survive and thrive.

Existing findings highlighted the importance of the local networks. The KM practice is in line with these findings to some extent. To better serve its local customers, Guangzhou Honda introduced a franchise sale service system that features "Four in One". Unlike the others, this is a franchise sale service system developed by Guangzhou Honda directly and integrates four business functions into one organization. The four business functions are sale of cars, after-sale service, parts supply, and communications with customers. Taking advantage of this "Four in One" sale service system, the franchise dealers of Guangzhou Honda play a positive role in shaping the overall customer experience from shopping to purchasing and meeting after-sale service requirements. This "Four in One" franchise sale service system helps Guangzhou Honda achieve a high customer loyalty rate. This "Four-in-one"

franchise sale service system also plays a crucial role in obtaining, processing, and analyzing market information. It helps Guangzhou Honda provide its local customers with best solution to satisfy their need and want at the very first time.

Because KM is as much about culture, organizational or behavioral change, it is impossible for a company to achieve the full benefits of KM if its employees are unwilling to share their knowledge through continuous learning. Training plays a crucial role in the continuous learning process. Thanks to the company-wide training system, Guangzhou Honda supports a strong and diverse base of learning program for all employees. The training system provides employees with a two-way training approach, and employees are connecting members of this system. On the one hand, as a member of this training system, employees in Guangzhou Honda can receive various training frequently; and on the other hand, employees can also ask the human resources department in Guangzhou Honda to arrange tailor-made training programs that better meet their need and want. Besides formal training programs, a variety of competitions has also been organized to facilitate the continuous learning process in Guangzhou Honda.

Along with the globalization of the corporation, it becomes increasingly important to balance the relationship between KM in subsidiaries and that in headquarters. A big problem facing MNCs is how keep KM in headquarters effective while that in subsidiaries flexible at the same time. Guangzhou Honda handles this by introducing NGH in 2000. NGH stands for New Guangzhou Honda. Based on common interests, NGH is organized voluntarily by employees in Guangzhou Honda, and serves as a novel way to tackle the problems in running the business. The objective of NGH is to create a harmony and dynamic working environment through team working and self-discipline. Communication, cooperation, and innovation are always priorities in NGH activities. NGH has been well integrated with NHC. NGH plays a crucial role in pushing NHC activities around the world to a higher level. Thanks to such arrangement, KM in Guangzhou Honda is strategically integrated with that in Honda.

## **Acknowledgements**

The author wishes to thank Professor Takatsu Yoshiaki for his kind guidance.

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