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THE UTILIZATION OF EMPLOYEE COMPETENCIES

A comparison between Vamp and Wärtsilä

Business Economics and Tourism

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ABSTRACT

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The aim of this thesis was to examine the methods of two different size international companies in utilizing employee competencies. Both companies are located in Vaasa, Finland. One company is a small and medium size enterprise and the other is a multinational enterprise. The reason to examine the way companies utilize their employee's competencies is my personal interest to find out which aspects of employees' intangible knowledge and competencies are important, and in which situations they are being used. Competent employees are often the main asset of a company, and they possess important know-how about the business. The competencies researched in this thesis are categorized as employees' education, language, cultural awareness and business networks. Knowledge and especially tacit knowledge is also briefly examined. The research problem is defined as how can a company utilize employee competencies?

The theoretical part of this thesis studies education, language, cultural awareness and business networks from competency perspective. It also highlights the importance of utilizing employee competencies by different examples. Knowledge Management is examined as a tool to manage competencies. The empirical research was executed with qualitative method by first creating a multiple choice questionnaire. According to the answers of the multiple choice questionnaire, deeper interview questions were possible to create.

From the research it was found out that all the competencies dealt in this thesis are very important for the case companies. Education, language, cultural awareness and business networks are needed, and they are being utilized in many ways in order to keep the competitive advantage as high as possible. Knowledge Management is seen as an extremely important strategic tool to manage employees' competencies, but in some cases there are not enough resources to administrate Knowledge Management.

Keywords	Competency, Multinational enterprise, Small and Medium size enterprise, Utilization, Tacit knowledge, Knowledge Management, Competitive advantage

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Liiketalous ja matkailu

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Tämän tutkimuksen tarkoitus on tutkia kahden erikokoisen, Vaasassa toimivan, kansainvälisen yrityksen tapaa hyödyntää työntekijöidensä osaamista. Toinen yrityksistä lukeutuu pieniin ja keskisuuriin yrityksiin, ja toinen monikansallisiin yrityksiin. Syy, miksi yritysten tapaa hyödyntää työntekijöidensä osaamista tutkitaan, on oma henkilökohtainen haluni saada tietää mitkä asiat työntekijän koskemattomasta osaamisesta ovat yritysten mielestä tärkeitä, ja missä tilanteissa niitä käytetään ja hyödynnetään. Tutkittavat osaamiset ovat rajattu koulutukseksi, kieleksi, työntekijän omaan kulttuuriin ja kulttuurien tuntemukseen, sekä liiketoiminnalliseen verkostoon. Tutkimuksessa katsastetaan kevyesti myös tietoa – erityisesti hiljaista tietoa. Tutkimusongelmana onkin miten edellä mainitut yritykset hyödyntävät työntekijöidensä osaamista?

Opinnäytetyön teoreettinen osuus käsittelee koulutusta, kieltä, kulttuurien tuntemusta sekä liiketoiminnallisia verkostoja osaamisen näkökulmasta. Se myös korostaa osaamisen hyödyntämisen tärkeyttä erilaisin esimerkein. Tiedonhallintaa tarkastellaan tapana ja työkaluna hallita osaamisia. Empiirinen tutkimus toteutettiin laadullisella menetelmällä, jossa ensimmäiseksi luotiin monivalintakysely-lomake. Lomakkeen pohjalta luotiin syvällisemmät haastattelukysymykset.

Tutkimuksessa selvisi että kaikki opinnäytetyössä käsiteltävät osaamisen alueet ovat erittäin tärkeitä tutkittaville yrityksille. Koulutusta, kieltä, kulttuurien tuntemusta sekä liiketoiminnallista verkostoa tarvitaan ja hyödynnetään monin eri tavoin, jotta kilpailukyky pystytään pitämään mahdollisimman korkealla. Tiedonhallinta nähdään erittäin tärkeänä strategisena työkaluna johtaa työntekijöiden osaamista, mutta joissain tilanteissa yrityksellä ei yksinkertaisesti ole riittävää resurssia tiedonhallinnalle.

Avainsanat	Osaaminen, Monikulttuurinen yritys, Pk-yritys, Hyödyntäminen, Hiljainen tieto, Tiedonhallinta, Kilpailuetu

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1 INTRODUCTION

The purpose of this chapter is to present the aim of this research, why this topic is researched and why competency utilization is an important resource for an international enterprise. The chapter also includes the research problem, research questions and the limitations of the research.

Today's trade has changed to being more international which increases the competition in the different markets. Globalization is not a new term in the business world – it urges also smaller companies to internationalization. The starting point of internationalization is to expand the trade abroad. When bigger markets are available it is also more likely to reach higher turnover. (Europe Commission 2012)

To understand how an international company is able to utilize employees' competencies in foreign trade, first one needs to understand what an international company is. A company which exchanges products or services in various countries is acting internationally, thus, it is an international company. One basic requirement for operating internationally is that the company understands the challenges in foreign markets and is ready for adapting the information the markets require, for example, by developing cultural awareness. (Suomen yrittäjät 2012)

Foreign workforce has increased especially in large corporations but foreign workforce pays off also in small and medium sized enterprises. Different cultural backgrounds bring new visions to companies and they might open new networks to target country's markets (Dowling, Festing & Engle 2008, 66). Every country has its own cultural issues and norms which can be hard to adapt to or understand by a foreign company's manager. If a company is using foreign workforce to explore the culture and avoid troublesome situations – like insulting the cooperating party with bad behavior or language misunderstandings – the liaison can be productive.

Intercultural communication is a tool of global communication. It widens the perception of how cultures differ from each other and, for example, what to take

into consideration before entering new markets (Tuleja 2009). These issues are good to examine in order to understand the possible competency and assets that the employees might possess. These issues will be dealt with more deeply in chapter three.

Language is an important aspect in international business. It can be very helpful to understand a host country's language or use English as a business language. If a company has the advantage of either having foreign nationals, or multilingual staff as employees the business transaction can be dealt easily and professionally.

Competency can be organizational or individual competencies (Shermon 2004). When focusing on *employees* in this thesis, I will discuss more deeply only individual competencies. Draganidis and Mentzas (2006) describe in their article competency as being "a combination of tacit and explicit knowledge, behavior and skills that gives someone the potential for effectiveness in task performance". Tacit and explicit knowledge will be discussed further in the following chapter. Another example of defining competency by Jackson, Schuler and Werner (2012): "competency is a measurable pattern of knowledge, skills, abilities, behaviors and other characteristics that an individual needs to perform work roles or occupational functions successfully".

According to these reviews about competency I came up with the conclusion of competency being 'an individual asset that the employees possess'. It is a mix of tacit and explicit knowledge, education, business networks, cultural norms like behavior and cultural awareness, and language. Competency can be used to reach the goals and to perform successfully. These are the competencies this thesis will examine and research about the case companies.

Knowledge Management is one tool to manage competency. It has been used to discover the organizational competencies and knowledge, and to create integrated systems to share and spread the information (Dalkir 2005). In chapter four the aim is to expand the readers' perception of Knowledge Management and to discover how Knowledge Management can be used to obtain employee competency. Knowledge Management itself is a very wide concept and this thesis will discuss

only a small part of it. It is important to realize that the way a company utilizes *the competencies of employees* can make a company a strong competitor and give a competitive advantage (Draganidis and Mentzas 2006). Expatriation and repatriation is also included in the chapter on Knowledge Management because repatriates have important competencies and knowledge about foreign countries gained during international assignments (Dowling et. al 2008).

1.1 The Aim of the Research

The aim of the research is to study how employees' competency/competencies are being utilized in today's international companies. An international company has to work hard to survive because of the heavy competition the markets have. Customers – both individual consumers and companies – will think twice before buying products because of the wide variety of options to choose from. Companies must develop a strategy on how to achieve a competitive advantage and create new methods of attracting customers. (Prahalad & Ramaswamy 2004)

In this thesis I will research two different sized companies – Vamp Oy, small and medium size enterprise (SME), and Wärtsilä Oyj, multinational enterprise (MNE) – and how they have been able to utilize the employee competencies, or have they? The reason I chose to examine an internationally acting SME and MNE was the urge to find out whether their management visions differ from each other or are there similarities, when dealing with an intangible asset, like competency.

1.2 Defining SME and MNE

SME defines actually two different sized companies; a small enterprise and a medium enterprise. The categorization is based on the number of employees and the amount of revenue *or* the total amount of balance sheet. Enterprises are categorized as also Figure 1 shows.

The size of the enterprise	Personnel	Revenue	Or	Total amount of balance sheet
Medium size enterprise	< 250	≤ 50 M. €	or	≤ 43 M. €
Small size enterprise	< 50	≤ 10 M. €	or	≤ 10 M. €

Table 1. (Small and Medium size enterprise. European Commission. 2005)

MNE is a company which has trade in more than one country. It has its own manufacturing department abroad and delivery across borders. A multinational enterprise is sometimes also defined as an International Corporation. (Hennart 2000)

1.3 Research Problem and Research Questions

When considering an international company and the topic of the thesis one question occurred to me which eventually formed into a research problem:

How is a company utilizing employee competencies?

Concerning this question various issues can be examined, but my intention is to examine the question on a general level in trading, not going more deeply, for example, into payroll issues or into immigration permission issues.

After presenting the research problem it is important to find questions that can open the problem some more:

- What kinds of employee competencies are there?
- Which cultural issues are taken into consideration in international business?
- How to manage employee competencies?

1.4 Limitations

Because of the time limitation this thesis will research only two companies which represent a multinational enterprise and a small and medium size enterprise – Wärtsilä Oyj and Vamp Oy. If more same sized companies would have been researched, the research would have given an even more comprehensive view of the topic. This thesis will focus on how the earlier mentioned employee competencies are being utilized only in a general level in trading.

2   EXPLORING COMPETENCY

Competency is an asset that we all have. Everyone owns some sort of competency, whether it is language, education, cookery or sports. Many kinds of competencies exist which are required in different situations, but in this thesis I am going to deal those competencies that can be and are useful from business point of view. These forms are knowledge, language, cultural awareness, education and business networks.

2.1 Knowledge

When defining knowledge, it can be divided into two categories – tacit knowledge and explicit knowledge as shown Figure 1.

Explicit Knowledge
- can be taught
- documents
- books

5 %

95 %

Tacit Knowledge
- invisible knowledge
- competence
- experience
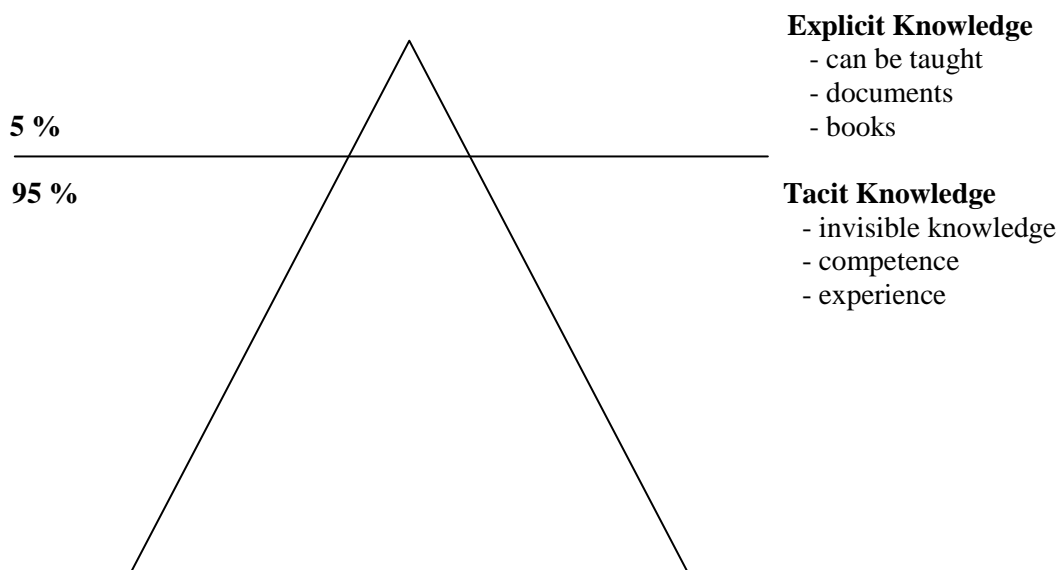
Figure 1. Explicit versus Tacit Knowledge. (Modified from the picture "iceberg" by Cognitive Design Solutions 2003)

2.1.1 Tacit and Explicit Knowledge

Tacit knowledge concerns all the invisible knowledge human beings possess, for example, one's own experiences, visions and beliefs. It is harder to share than explicit knowledge because tacit knowledge is, as mentioned, invisible

knowledge; it is in the minds of individual employees. The difficulty of sharing tacit knowledge can be the result of not knowing that the information which can be obvious to you can be the missing information needed. (Moon 2010)

Being the opposite of tacit knowledge, explicit knowledge can be gained, for example, from documents, web-pages, brochures and books. Explicit knowledge can, therefore, be transferred person to person and it can be shared and taught. (Dalkir 2005)

Tacit knowledge can be transferred into explicit knowledge, though it requires a suitable environment for it (Prahalad & Ramaswamy 2004, 177-178). With the help of Knowledge Management companies can start the process of knowledge transfer. This process is explained in chapter four.

2.2 Language

It is stated that there are over *6900 languages* in the world (Lewis 2009). It is often presumed that English is the most spoken language in the world - but it is not. The most spoken language is Chinese with over 1200 million speakers. The second is Spanish with 329 million speakers and after that comes English with 328 million speakers. (Lewis 2009)

Even though the office language in an international company would be English, I cannot emphasize enough the importance of linguistic competency within the company, especially native speakers. Languages are diverse and sometimes only native speakers can explain different meanings of phrases or sentences. Linguistic resource reflects as professionalism and many foreign organizations appreciate, for example, replying to an enquiry in their language. In international business meetings a native speaking employee is a golden asset to avoid misunderstandings. Puffer (1996) demonstrates the difficulty of using language in business meetings when American managers noticed that Swedish managers' nodding in business meetings did not mean they understood the issues they were talking about; they were just nodding for the words the Americans were saying.

2.3 Employee's Cultural Awareness

Being part of human life, culture is formed through shared values, norms and perceptions. It is passed from generations to generations, conforming the century, but still remaining its roots. Culture includes common beliefs, expectations and communication which remain through the life no matter where the person lives. It has been stated that a person is born into a culture, although one's culture can assimilate the effects of internationalization. (Deresky 2006) Cultural awareness is an important part of the everyday life of an international company. It is a central part of communication with counterparts and other people from different cultures. The fact that an employee is aware of different cultural behavior, and also his or her own culture, supports the understanding of why, for example, foreign managers in a foreign country are acting the way they are. (Quappe & Cantatore 2007)

A manager who is able to utilize an individual culture or the cultural awareness of an employee can strengthen the company's position in international markets compared to competitors as a result of avoiding awkward situations, like giving a clock as a business gift to a Chinese manager. This gives the impression that the company has familiarized itself and respects the counterparty. These kinds of incidents are connected to cultural etiquette. The use of an employee who is familiarized himself with different cultural issues, for example, in etiquette matters, can ease the process of business meetings and possible market entry (Puffer 1996).

Puffer (1996) illustrates cultural difference with an example of American business style and English business style. The British managers seem to be less community-oriented and more deliberate than Americans. The Americans find it difficult to deal with European management style of decision making process; they prefer fast and less analyzed decisions.

Cultural differences are challenging to manage and understand and this is why they are dealt more thoroughly in chapter three.

2.4 Education

Education is much appreciated in today's business world. The higher the education level the more know-how one has on a specific business field. Companies seek for well educated persons to fill the open positions in their company. The education-status tells something about the applicant and it forms expectations regarding special knowledge of a specific field of business. (Behrman & Stacey 1997) For example, if a human resources manager's position is open in a manufacturing company, they are most likely looking for a person who possesses both the know-how of manufacturing industry and the skills and the awareness of human resources manager's tasks and, of course, it is important to have the necessary skills to cope with the task and solve possible discrimination situations.

Education is something that is developing all the time. The content of, for example, the Masters of Economics –degree is not exactly the same as it was few decades ago. The world develops constantly; new products are innovated, the economy changes, thus, does the strategies of trading. Education must adapt to these changes. Youngsters are favored to join the company's workforce, because they bring new visions, information and recent education into the company; although senior managers have the experience and the certainty.

Through education the company possesses the necessary business awareness and techniques that are needed in order to survive in the competing business world.

2.5 Business Networks

Networks are an important part of international business, because the whole process of manufacturing a product and receiving a finished product by the end user includes a wide network of distributors, wholesalers, suppliers etc.

Business networks, however, are important for the strategic business perspective because cooperation and personal relationships with cooperation partners – like key customers, suppliers, manufacturers, decision-makers etc – can affect positively on turnover, profits and customer segments, as utilizing the existing

business networks decreases costs and offers an easier path to new customers (Ververst, Van Liere & Zheng 2009) Business network is described to be an act towards beneficial information flow and joint activities between the members of network. Three elements create a business network; activities, resources and actors. This means that a business network does not exist without an active participant, useful information or connections, and the whole process of interacting jointly. (Todeva 2006)

When an employee's own existing business network is being utilized by the company, the company does not need to make the costly and time consuming effort of creating connections and building trust in the target corporation. An employee's connections to a specific country and the possessed inside information can ease the process of entering the markets and doing business with a foreign company (Todeva 2006). All these aspects of an employee's business networks push the company towards a competitive advantage compared to a competitor, if the competitor does not have the same opportunity of utilizing the employees' above-mentioned competency.

3   CULTURAL DIFFERENCES

This chapter describes two important theories about cultural differences. The two theories are Hofstede's Dimensions and Hall's Cultural Dimensions. By presenting these theories I hope the reader understands the cultural competencies employees possess in an organization.

3.1 Hofstede's Dimensions

Geert Hofstede is a Dutch professor who is particularly specialized in researching different cultures and their disparities. After years of studying cultures and cultural behavior he published a research about cultural dimensions. These dimensions are known worldwide as Hofstede's dimensions. They are *uncertainty avoidance, masculinity, power distance* and *individualism.* (Hofstede 2012) To better understand cultural differences around the world I wanted to include this important research in my thesis. Now, let us have a deeper insight to the theory:

3.1.1 Uncertainty avoidance

The purpose of uncertainty avoidance is to measure the coverage of different cultures' ability to behave in uncomfortable environment and situations. (Phatak 1995) For example, in some countries specific laws and strict regulations are created to avoid not-so-nice incidents to happen. As it can be seen from the figure below, which is a draft from European countries, Greece, Portugal and Belgium score the highest in uncertainty avoidance. This means that these countries are the most unwilling to try something new and are very satisfied with the way things are. On the other hand Ireland, Great-Britain and Denmark are listed to be open-minded and ready for development.

3.1.2 Masculinity − Femininity

Masculinity and femininity are issues which describes what kind of emotional behavior cultures have. High masculinity countries refer that money and ego-boosters, like expensive cars and watches, are important. Also, the gender confrontation is much wider in masculinity countries. This means that men and

women have strict 'roles' in their community, for example: men work and women stay at home with children. (Phatak 1995) Finland is a country with low masculinity, yet not the lowest, and higher femininity, which is true in my opinion. Having higher femininity contrasts that Finnish are more concern on other people's feelings and values and they accept for example female president as their leader, which would be hard to accept for example in Slovakia.

3.1.3 Power Distance

The title itself explains already a lot, but the idea of this dimension is to describe how the employees see the power of their employers. If a country has a high power distance level, the employees feel the boss' word is the law, thus they obey and respect him/her. (Phatak 1995) According to the list below Slovakia, Russia and Romania score the highest. On the other hand a country where power distance level is low, like Austria, Denmark and Ireland, the employees question the authority and decision making ability of the boss. The employees hesitate if the boss' way of doing things is the right one or could they do things better (Phatak 1995).

3.1.4 Individualism − Collectivism

Individualistic cultures focus more on personal achievements, looking after themselves and getting along alone. They are less group-oriented which means that they do not have the necessary need of belonging in a specific group. (Phatak 1995) Great-Britain scores high on individualism whereas Portugal scores low. Contrary to individualism, collectivistic cultures, like Portugal and Slovenia, are very keen on belonging in a group and especially family is very important part of their lives. Their vision of the life is firstly being a member of a group and secondary acting individually.

Country	Power Distance	Uncertainty Avoidance	Individualism	Masculinity	Long-Term Orientation
Austria	11	70	55	79	31
Belgium total					38
Belgium Flemish	61	97	78	43	
Belgium Walloon	67	93	72	60	
Bulgaria	70	85	30	40	
Croatia	73	80	33	40	
Czech Republic	57	74	58	57	13
Denmark	18	23	74	16	46
Estonia	40	60	60	30	
Finland	33	59	63	26	41
France	68	86	71	43	39
Germany	35	65	67	66	31
Great Britain	35	35	89	66	25
Greece	60	112	35	57	
Hungary	46	82	80	88	50
Ireland	28	35	70	68	43
Italy	50	75	76	70	34
Luxembourg	40	70	60	50	
Malta	56	96	59	47	
Netherlands	38	53	80	14	44
Norway	31	50	69	8	44
Poland	68	93	60	64	32
Portugal	63	104	27	31	30
Romania	90	90	30	42	
Russia	93	95	39	36	
Serbia	86	92	25	43	
Slovakia	104	51	52	110	38
Slovenia	71	88	27	19	

Figure 2. Hofstede's Dimensions of European countries

As the examples points out that even countries in Europe are culturally different. These issues are wise to be investigated before starting to negotiate about business in foreign country, because it gives a clearer understanding on why managers in other country do things differently, or why would they feel assaulted about your actions in other.
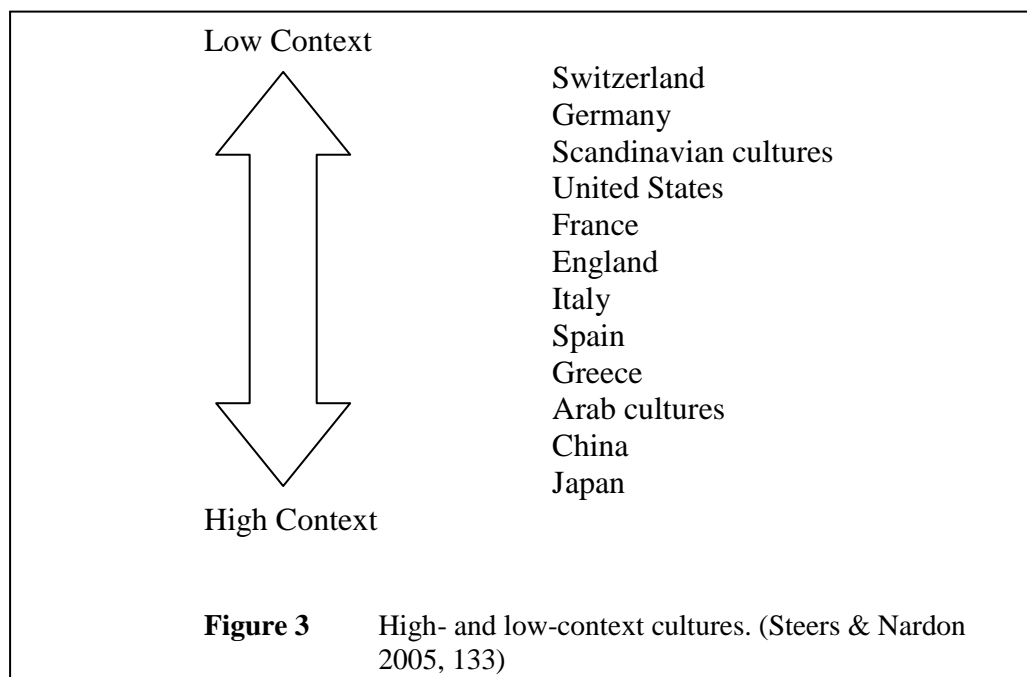
3.2 Hall's Cultural Dimensions

Edward T. Hall was an anthropologist (human researcher) who published a well-known research about cultural differences across borders. (Wikipedia 2012) He included three dimensions in the research; high- and low-context, space and time. (Steers & Nardon 2005) In the following section I am going to explain what these

dimensions mean, and how could they help understanding different cultural behaviors.

3.2.1 High- and Low-Context

The idea of high- and low-context is to find out how different cultures understand the contexts of messages. In low-context countries, like Switzerland, the message is much more important than the context surrounding the message. They focus primarily on what is said in the message (the words and their meanings) and not so much on how it is presented or articulated. On the other hand, in high-context cultures, like Japan and China, the context surrounding the message is really important, if not even the most important aspect of the message. (Steers & Nardon 2005) This means that these cultures focus on how the messages are being said or presented, not so much on the words because personal relationships are vital part of the business relationships. When having personal relationships, facial expressions tell often much more about the context than the actual words do. The relationship is built on mutual trust, which is hard to gain, for example, in most of the Latin cultures (Deresky 2006, 122).

Low Context

Switzerland
Germany
Scandinavian cultures
United States
France
England
Italy
Spain
Greece
Arab cultures
China
Japan

High Context

Figure 3   High- and low-context cultures. (Steers & Nardon 2005, 133)

If a company has a foreign workforce, for example, from China it is much easier to gain the understanding which parts to concentrate on when having negotiations with the Chinese, or when sending sales contracts. Also, the company might have an easier way of achieving trust towards Asian companies if the company itself has Asian employees.

3.2.2 Space

The concept of personal space varies among cultures; in some cultures there is an invisible line which should not be crossed, and in other cultures closeness and touching is part of normal behavior. When considering this I realized that this is true, at least on my part. When I grow up no one ever told me that Finnish people have a certain 'bubble' which is defined as their own space; it has just formed that way. For example, in Latin cultures touching and kissing strange people is normal because that is how their culture has defined personal space (Pajewski & Enriques 1996). In business meetings many awkward situations can be avoided when managers familiarize one another on how different cultures deal with personal space − this way, for example, a French businessman's kiss on the cheek does not feel so odd.

Personal territoriality is highly affected by culture. In some cultures tangible possessions are important and other people should respect that. For example, in Germany the boss' desk can be an object that no one should touch because they feel territoriality towards all their possessions. In America, the top-floor of a building is reserved to managers and executives, which indicates that they are the top-management. (Steers & Nardon 2005)

3.2.3 Time

Hall subdivides time as it is seen from cultural perspective into two parts; *monochronic* and *polychronic* cultures (Steers & Nardon 2005).

In monochronic cultures, like Finland, Germany and Japan, time is perceived as important part of their lives (Steers & Nardon 2005). A well scheduled day is the key to achieving more. When a date and time of a meeting has been agreed upon,

it is very important to stick to the agreement and be on time in meetings. Being late does not give a good impression of the other party. Doing one thing at a time is the habit preferred; time is money, there is no room to leave things hanging (Steers & Nardon 2005).

In polychromic cultures, like Spain, France and most of the Latin America, time is not considered to be the leading force of life. The way they handle time has been described to be 'chaotic' and 'disorganized' by the representatives of monochromic cultures. Polychronic cultures tend to do many things at the same time − thus not completing one task at a time – and focusing more on relationships and social happenings. (Steers & Nardon 2005)

Understanding why it takes so long to deal with the sales or why others pressure to keep up the deadlines and meet the sales terms, can decrease the tension between the parties of the sales. Also, for example, for a Latin American person it is easier to explain to a Latin American company why it is so important for a Finnish company to get the goods delivered on time than for Finnish person; as the message could get wrongly understood.

4   MANAGING COMPETENCIES

The aim of this chapter is to take a look at what is Knowledge Management, how employee's competencies can be managed through Knowledge Management, and what kind of competencies can be gained during a foreign assignment. This chapter also briefly examines the topic of Personal Knowledge Management.

4.1 Knowledge Management

Knowledge Management (KM) has been developed to strategically manage knowledge in order to decrease costs by working faster and utilizing the existing knowledge in different projects. It is defined being the process of applying a fresh stance to management, capture and structure knowledge throughout the whole organization. (Dalkir 2005) In the publication by Emerald Insight Staff (2005) Knowledge Management is described being about "exploiting and realizing knowledge in the workforce, fostering a culture where knowledge sharing can thrive and how organization develops its people and their knowledge as individuals, as teams and at an organizational level". One major mistake companies can make can be that the company does not realize they already own the knowledge and competencies, and waste money. (Emerald Insight Stuff 2005)

4.1.1 Why Knowledge Management?

In order to manage the information the company needs, Knowledge Management can be utilized to collect and filter the competencies needed. Today's international company holds plenty of information inside but the ability to seek the right information needed at the right time can be a challenge. KM urges the company to find and use the available competency and benefit from it. If the competency that already exists in the company is utilized the managers do not have to waste time and money in researching. With the help of KM companies may discover the intangible and invisible assets that they possess. The main aim of KM is to benefit the individual, organization or team by sharing the information and putting it to use – otherwise it has failed. (Dalkir 2005)

4.2 Expatriation and the Benefits of Repatriation

The reasons for expatriating employees to another country are mainly: to train local managers or employees to accomplish a specific job and return home, to develop local manager's talent, to provide coaching and training of host country's manners. (Dowling et. al. 2008)

Even though the task of an expat is to train the host country's managers, repatriation gives a range of knowledge gained during the international assignment for the home country's company. Repatriate is a person who returns back to home country after finishing his or hers foreign assignment (Dowling et. al. 2008).

According to the study of 19 Austrian repatriates, emerged in the book of Dowling et. al. (2008), the examinees listed five categories of repatriate knowledge: market specific knowledge, personal skills, job-related management skills, network knowledge and general management capacity. *Market specific knowledge* contains the knowledge learnt about the host country's language, social and economical systems, and local customs. The returned employees possess' inclusive inside knowledge about the country they were assigned to. This is really important to understand by the managers, because that information is priceless. *Personal skills* are stated to involve in inter-cultural knowledge, tolerance and flexibility. It means that the employees have the insights in different cultural aspects and they have upgraded their personal levels of tolerance and flexibility. *Job-related management skills* deal with experiences from project management and problem solving situations. It gives the employee the readiness to solve difficult situations fast and for the future prospect, it gives good abilities for managing different projects effectively. *Network knowledge* expressly means creating relationships with suppliers, other expatriates and subsidiary staff. After a successful networking it is much easier to cooperate when the managers or employees have familiarized themselves about one another. *General management capacity* deals with wider job responsibilities and enlarged job descriptions. Repatriates are considered to manage more demanding tasks and be able to handle additional tasks compared to the old tasks. (Dowling et. al. 2008)

I wanted to include this chapter in my thesis because this area − important for the human resource manager and decision making unit of a company − is also important to realize by the reader. Repatriation highly involves in utilizing the employee's gained knowledge and competencies and with this example I hope to perceive one potential resource of employee's competency.

4.3 Personal Knowledge Management

'Personal Knowledge Management' is considered to be one dimension of the comprehensive concept of Knowledge Management. Another way to describe it is network learning process (Jarche 2012). It is a process of making sense of information, ideas and observations of individual person. As in the past the personal ideas and thoughts have been written in journals, letters or they have been discussed about − in today's emerging virtual society these thoughts and ideas are shared through blogs or other digital modes, which enables external readers giving comments or, for example, adding context by remixing information. The main aim of Personal Knowledge Management is to find new information and learn from it. (Jarche 2012)

Because of the information overflow the current society is having, it is hard to avoid personal learning. Social networks like Facebook and Twitter are filled with information that individuals can acquire. The information overflow has two sides in my opinion. There is so much information available that it is hard to find the right, relevant information but on the other hand it enables the individual to acquire the new information concerning the industry one is working − its current trends, visions, ideas − and create own visions and ideas concerning the issue (Hart 2012).

Personal Knowledge Management is relatively new and a developing concept. There has not been published much theory about it, but I wanted to include Personal Knowledge Management in this thesis because I believe that this area is a concept which is developing fast, growing within few years and becoming a much more known issue.

4.4 Strategies for Implementing Knowledge Management

Organizational Processes			
	Knowledge Creation	**Knowledge Transfer**	**Knowledge Utilization**	
Locus of knowing /learning **Individual Group Organization Network**			Intellectual Capital **Human Capital Structural Capital Relational Capital**
	▪ **Exploration** ▪ **Tacit knowledge** ▪ **Teamwork** ▪ **Enabling conditions**	▪ **Codification** ▪ **Replication** ▪ **Modular architectures** ▪ **Alliances**	▪ **Exploitation** ▪ **Product sequencing** ▪ **Decision support** ▪ **Managing intellectual assets**	
Strategic levers			

Table 2. Organizational Processes (Choo and Bontis, 2002)

Table 1 demonstrates what KM is. The competitive advantage of value is created through the processes of knowledge creation, knowledge transfer and knowledge utilization. This table is very good example of how employee's competencies can be managed and that is why this process is included in the thesis.

In *knowledge creation* the aim is to create new knowledge through tacit and embedded knowledge (Choo & Bontis 2002). Nonaka and Takeuchi (1995, p.71-72) describe the knowledge creation as being a cycle of both tacit and explicit knowledge, also known as the SECI-model. The SECI-model consists four aspects; socialization, externalization, combination and internalization. The first step, *socialization*, is tacit to tacit knowledge as it includes own experiences, mental models and language. The idea of socialization is to share the tacit knowledge face-to-face or, for example, by working together as a team. The next is *externalization* which results when tacit knowledge forms into explicit knowledge. The conceptual knowledge is created through using language in dialogues. The learned knowledge is shared and distributed and can be published

and written down. Then it is time for *combination.* It means that explicit knowledge turns to explicit knowledge by combining different kind of explicit knowledge, for example, articles, documents, images. The knowledge can be collected from either inside the company or outside and then combining the knowledge at hand. Then the new explicit knowledge is being shared among members of organization. Explicit to tacit knowledge, *internalization*, is an aspect which can be well described with the phrase 'learning by doing'. The cycle continues to roll but in different levels. This is why the spiral is drawn, as in Figure 4.
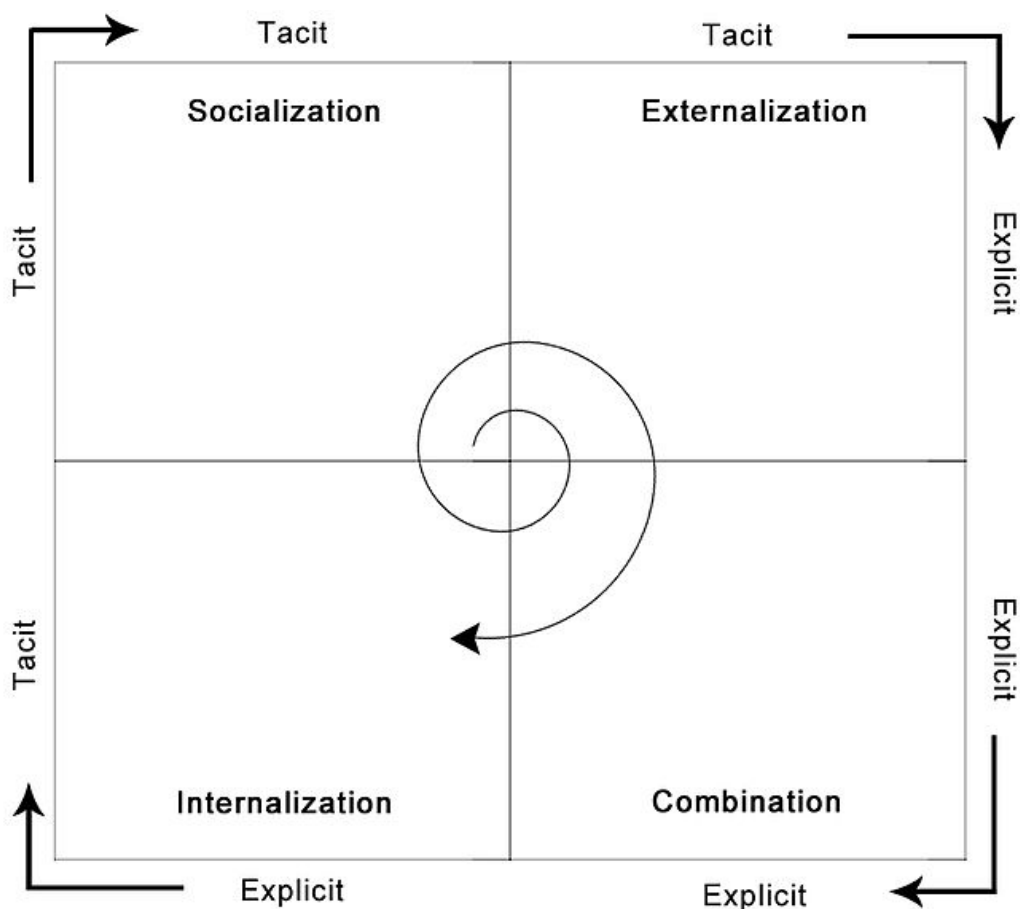

Figure 4. The SECI-model (Moon 2010, p. 32)

The SECI-model has faced some critique for being composed based on the strategies of Japanese companies and therefore it cannot be commonly reflected on every company, I wanted to include this model in this thesis, because I consider it is a vital part of understanding how also competency can be used (Moon 2010).

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In *knowledge transfer,* in the organizational process –model, the knowledge can be transferred, for example, through its international alliances and the knowledge is shared throughout the company. To be able to share the knowledge it has to be codified, published or formed into some kind of form where others can learn from. Carefully documented knowledge is easier to share and used in future projects. (Choo & Bontis 2002)

In the final part, *knowledge utilization*, knowledge is taken advantage in different situations. Different forms of internal knowledge are used when producing goods or in trading. Tacit knowledge plays a huge part in knowledge utilization and with the help of codification (converting tacit to explicit) the knowledge is able to be transferred. (Choo & Bontis 2002)

The term *'intellectual capital'* refers to company's stock of knowledge. It deals with employees and organizational routines, the relationship with suppliers, customers and partners. The stock of intellectual capital can, and should be periodically refreshed, meaning that in different levels - group work, individual, network and organization – the learning of new issues should be processed. (Choo & Bontis 2002)

The *strategic levers* consist of different techniques which enable the use of knowledge the best possible way. In the book of Choo & Bontis (2002) different authors discuss a few techniques:

- "Replicating organizational routines across different parts and locations of the firm as a way of exploiting knowledge assets". (Winter & Szulanski)
- "Transferring knowledge and learning through alliances and organizational chains". (Fischer et. al., Mitchell et. al.)
- "Promoting 'exploration' or knowledge creation through converting and sharing the organization's tacit knowledge" (Nonaka)

Competencies are needed in order to receive customers, develop products, have connections and being one step further from the competitor.

5   RESEARCH METHODOLOGY

The aim of this chapter is to take a look at the methods of how the research was implemented and applied to this thesis. First the research method will be discussed, which explains the features of the selected method. A data collection and analysis method explains how the information was received and which way they are examined in the thesis. The last part of this chapter discusses the reliability and validity of the thesis.

5.1 Research Method

First let us take a look at the research methods that set the framework for a research. Qualitative research aims for deeper understanding of the research studied, whereas quantitative research aims for verifying the research. (Tilastokeskus 2012) By using a qualitative research method the researcher collects accurate information about the researched subject and the sample size is small because the research is usually made by interviewing, observation and participating. When using quantitative research method the sample size is wider because this way the research can be pointed out as truthful. The data is usually collected by questionnaires, and analyzed by statistical figures, which may set limitations for the validity of the research. (Newman & Benz 1998) In the following table the differences between these two research methods are categorized:

	Qualitative Method	Quantitative Method
Methods	Observation, interview	Experiment, survey
Question	What is X? (classification)	How many Xs? (enumeration)
Reasoning	Inductive	Deductive
Sampling method	Theoretical	Statistical
Strength	Validity	Reliability

Table 3. Qualitative versus Quantitative. (Modified from picture *"Box 2"* by Greenhalgh & Taylor 1997)

The methodology used in this thesis is a qualitative research method because of the nature of the research. I chose to use qualitative research method because my goal was to fully understand the case companies' way of doing business so that *I* could understand the research results better.

The research results consist of primary data because this thesis includes case companies. Primary data is the information and knowledge received by own examination and orienting oneself to the topic researched (Salkind 2010). The multiple choice questionnaire was directly directed at Vamp and Wärtsilä, and personal interviews were made in order to gain comprehensive understanding on the research problem.

5.2 Data Collection and the Method of Analysis

As mentioned above a questionnaire and an interview are the main methods used to examine and collecting the data. The intention of the questionnaire is to figuratively show the statistical facts of the research. The questionnaire compiled uses Likert-scale, which is a five point scale typically including the following format (Schmee & Oppenlander 2010, 14):

1. Strongly disagree
2. Disagree
3. Neither agree or disagree
4. Agree
5. Strongly agree

The answer options (1-5) comply with the question's form in the questionnaire directed at Vamp and Wärtsilä. The intention of the interview is to gain a deeper understanding of how the case companies are using their employees' competencies and to analyze the information received from the questionnaire. Because this research is implemented by using a qualitative method, it includes a deeper review on the companies studied.

The process started by creating a multiple choice questionnaire based on the key aspects of this thesis; competency in general, employee's education, language,

cultural awareness and business networks. It included also a section in which the company's use of Knowledge Management was enquired. The questionnaire was made with the help of Vaasa University of Applied Sciences' e-form application. The questionnaire's intention was to set the frameworks for the interview and it was sent first through e-mail with a covering letter. The covering letter included information about the thesis, the reason why I wanted to study the company and how the results are collected. The respondents answered to the questionnaire and based on these answers I was able to create the interview questions.

5.3 Reliability and Validity

When considering the truthfulness of a research, reliability and validity are the factors to discuss. Litwin (1995), states that "reliability is a statistical measure of how reproducible the survey instrument's data are". In order to find out this research's reliability the test-retest –method should be used. Test-retest stands for testing the research again with the respondents in order to find out are the new results similar to the old ones (Hiltunen 2009). I believe the result would be the same at this moment, but if the research was executed in few years the results might not be similar because not only the industry changes all the time, but also the companies' behavior and attitudes may change. Validity measures are the results corresponding to the theory examined in this thesis. Research problem always sets the framework for the research and the way the research is conducted by this framework, also indicates the validity of the research. (Jha 2008) I would claim that the validity of this thesis is quite high, because the research gave an answer to the research problem. Also, the aim of the thesis was reached.

6 THE EMPIRICAL RESEARCH

The purpose of this chapter is to examine the actual research made from Vamp and Wärtsilä. The research focuses on how these companies are dealing with employee competencies; what is their vision on competencies and in which way they are using competencies.

5.1 Choosing the Case Companies

I chose these companies – Vamp Oy and Wärtsilä Oyj – because I find them interesting international companies in the Ostrobothnian region. I wanted to find companies in Vaasa because of the increasing internationalization of this area (Kauppakamari 2012). By comparing the two different sized companies I hope to enrich my own knowledge of how an SME and a MNE can reach the status they have and gain wisdom of managing international trade.

The size difference between Vamp and Wärtsilä		
	Personnel	**Revenue (2011)**
Vamp Oy	40	> 14 M.
Wärtsilä Oyj	19 000	> 4 209 M.

Table 4. The Size Difference between Vamp and Wärtsilä (Revenue information Fonecta 2012; Wärtsilä homepage 2012)

I had an excellent opportunity to interview three professionals of their own field who have been working for long period of time in the case companies, and have a comprehensive view about their businesses. By interviewing staff members at Vamp and Wärtsilä the collected information was beneficial and valuable concerning this thesis and, in fact, it became evident that the procedures of both companies corresponded mostly to the theoretical study in this thesis.

5.2 The Story of Vamp

Vamp Oy is a medium size company producing protection relays. The company was established in the year 1994 and it is located in Vaasa. The main operations of

the company are in Vaasa, though they have outsourced their production. A protection relay is a device used by power plants and manufacturing industries to protect their electric networks and improving its safety. The tasks of protection relays are to avoid people injuries and damages, and to protect the electric devices. The company is acting in global markets, thus, it is very international. The owner of the company is Schneider Electric Corporation but Vamp has its own business areas, customers and networks. Vamp Oy's products are being used in over 80 countries. (Hämäläinen 2012)

5.2.1 Introducing the Respondent

Vamp Oy hired an employee in the year 2001 first as an exports salesman. The tasks were targeted to both the domestic market and some foreign markets. The respondent explains that a variety of tasks' has been included his career at Vamp, but now he is acting as a marketing manager, who is also responsible for the after sales unit. Because being a marketing manager all the competencies examined play an important role in his profession. (Hämäläinen 2012)

5.3 Research Results of Vamp

In the next section the results of Vamp will be discussed thoroughly. The competencies examined in this thesis will be discussed from the respondent point of view. Also, competency in general and Knowledge Management is examined.

5.3.1 The Employees and Competency in General

The average age of the employees is around 35, the youngest employees being around 25 and oldest around 58. During the years 2002-2009 Vamp had employees hired only based on their experiences and knowledge about the industry. Because the industry knowledge and experience was so important for Vamp they were ready to pay for it. (Hämäläinen 2012) The reason to act this way was because they needed the employee's existing contacts and skills in order to start the business immediately. The respondent states that today the availability of very competent employees of this industry is very scarce in Vaasa district. After the year 2009 the company started to hire also freshly graduated employees,

which are then being trained to work for Vamp. Recently graduated employees are also usually the previous practical trainers and they might have written their final thesis about Vamp Oy; this way the company is already familiar with them (Hämäläinen 2012).

Vamp is very proud of its employees and their competencies, and the respondent states that the company possesses the top employees in every unit of the company. With these competencies they can say they are acting on a high quality level also in international markets. One factor of having competent employees is that the employees have been working for many years in the field with different employers and seen the occurring changes over the years. This way they have brought extremely valuable competencies into Vamp. (Hämäläinen 2012)

Vamp describes the employee's competency as follows:

"Competency is the know-how of the industry, but also the cross-cultural understanding. Competency is the ability to interact with different people in different situations, but also possessing the technical knowledge."

The company gives an opportunity to have international tasks where the employees can utilize their own competencies and it is believed to be one method to utilize the tacit knowledge as well. They have two expatriates out at the moment; one in Brazil and the other in Thailand. Expats are given a lot of responsibility when they are in a foreign assignment, but they are also rewarded after a successful assignment. The theory of Dowling et. al. (2008) about repatriates' knowledge gained during their foreign assignment indicates – that if used right – Vamp benefits tremendously from the expatriates they now have. The respondent mentioned that the knowledge of the industry is critical; hence repatriate's market specific knowledge and network knowledge can bring new knowledge into the company.

Sometimes they might face situations where, for example, an employee with business education needs the help of an employee with technical education, thus they are working as a team. This way the technician's competencies are being utilized. (Hämäläinen 2012) The aim of this method is simply to utilize all of the

competencies and resources that the company possesses. In the product development unit they are using a method where every employee has his/her own tasks, but they are being familiarized also with next door employee's tasks, so that they can learn new things.

Vamp Oy has, and uses, competency tables and information where they can see which competencies are required and what competencies the company needs to possess. With these competency tables the company can assure the right direction of its business and the right employees to accomplish the tasks. (Hämäläinen 2012)

The respondent explains that training programs are not as popular among the employees as the company would hope. The employees are satisfied with their own knowledge and tasks and not so willing to train themselves − at least at the moment. One reason for the employees' lack of interest towards training programs can be that they are so focused on succeeding with their tasks and they might lack the future perspective. One mission of Vamp is to get the employees to motivate themselves to gravitate into training programs. (Hämäläinen 2012)

5.3.2 The Importance of Recruitment and Language Skills

One of the Vamp Oy's missions, already from the beginning, has been to recruit competent employees who are the best in their job in order to ensure the competitive advantage and that Vamp Oy remains a competent, high quality company. Vamp has 40 of its own employees dealing with product development, marketing, management, and so on, but the production is entirely outsourced; about 20 employees are manufacturing their products. There are three other nationalities among Finnish employees working at Vamp; Peruvian, Russian and Taiwanese. English is the office language, and also Finnish and Swedish are used frequently. Because of the three other nationalities besides Finns, the company can communicate fluently also in Spanish, Russian and Chinese. Also Portuguese and German is managed and used. All they are demonstrated in Chart 1. (Hämäläinen 2012) As highlighted in the theoretical study, also the interviewee states that languages are needed the most in business meetings and negotiations

starting from telephone conversations, in product development projects and in 24/7 after sales unit where the employees are facing different languages and dialects. As Puffer (1996) mentioned, there can be misunderstandings when it comes to language, thus the linguistic skills of employees play an important role at Vamp.
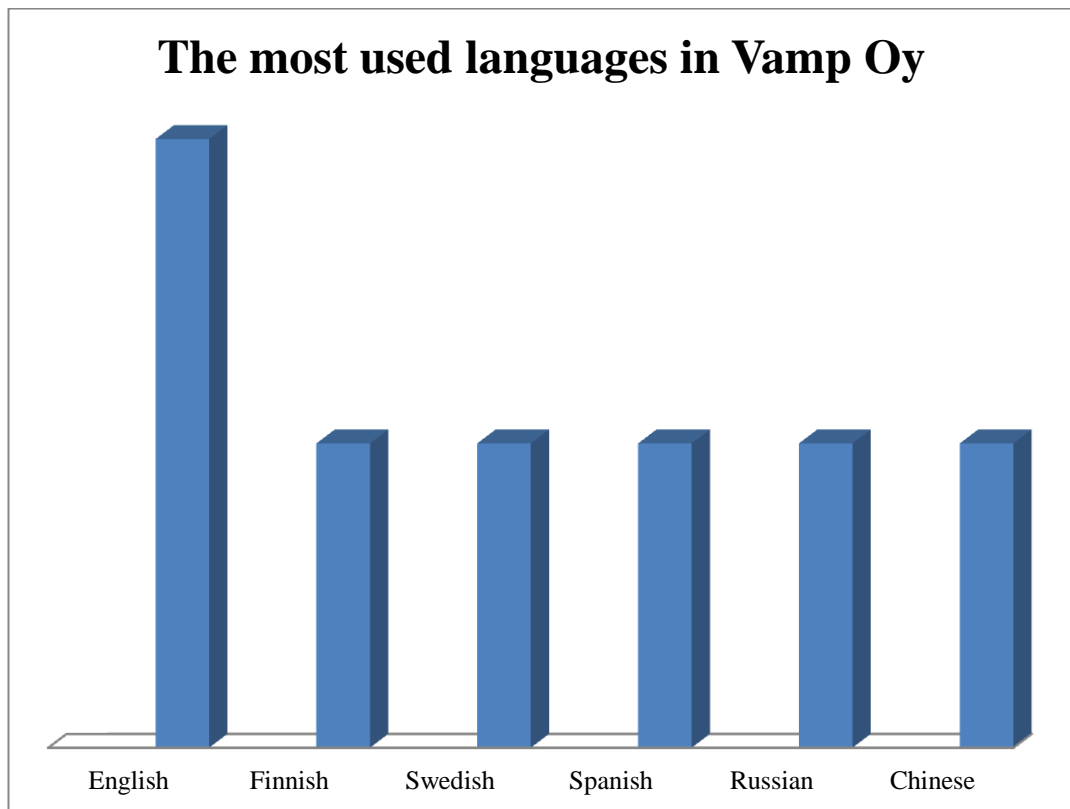
The most used languages in Vamp Oy

English	Finnish	Swedish	Spanish	Russian	Chinese

Chart 1. The Most Used Languages at Vamp (Hämäläinen 2012)

5.3.3 A Seek for Tacit Knowledge

One important point of view towards tacit knowledge is said to be the knowledge of history within the company, because this way the company can avoid making mistakes. Also, the employees' experiences gained earlier include a lot of tacit knowledge. Employees' ideas, visions and needs are taken into consideration because they are important for the company. (Hämäläinen 2012) Customers are said to hold the tacit knowledge too, which is considered valuable. This emerges, for example, when the company and customers are communicating with each

other. The close relationship with customers is crucial, and as Vamp is a medium size company they have the opportunity to come down to the level of the customer and interact personally with them. (Hämäläinen 2012) This, in my view, relates highly to the Choo & Bontis' (2002) Organizational Processes –model section 'knowledge utilization' discussed in chapter four, where the company is said to use the knowledge and competencies of employees and customers to produce high quality products.

5.3.4 Employee's Cultural Awareness

The interviewee explains that the company might have faced some cultural difficulties in international trade, like minor misunderstandings or hurting one's feelings, but not in a way that it has affected on trade. Because the employees' have a good knowledge of cross-cultural behavior they have been able to do business with different cultures – without losing anybody's face. (Hämäläinen 2012) This indicates that the cultural dimensions and differences discussed in this thesis are, in fact, crucial in international trade. Vamp Oy has trade in various countries and because of this the cultural awareness is very important. The importance of cultural awareness appears especially, as discovered earlier, in issues of avoiding troublesome situations. The trade is created on trust, and to be able to gain the trust the knowledge of the customer's culture plays an important role. (Hämäläinen 2012) In the chapter two, trust was also mentioned being one achievement of business networks, and also Deresky (2006) pointed out the trust issue when dealing with other cultures. The cultural awareness of employees is utilized in different business meetings and negotiations. Local people are not used in cultural situations, for example, in negotiation or etiquette situations because Vamp Oy manages them by themselves. Their employees have a long history of working abroad, thus they have valuable experience about different cultures (Hämäläinen 2012). Local people are thought as a good option in language issues because of their language competency, for example, in translating services.

5.3.5 The Importance of Education

Education is said to be an important competency because the employees need to follow the development of technical industry and education can provide it. By utilizing employees' education the company's vision can be more comprehensive. Sometimes also the employees from the designing unit have been taken with into business meetings in order to teach them the way of interacting with customers. (Hämäläinen 2012) As mentioned before, employees are not willing to train themselves, and the company focuses more in employees' experiences than on education.

5.3.6 Business Networks

Business networks play a huge role in Vamp's business, because the business is basically based on business networks. Vamp has about 40 partners of its own around the world plus the networks of Schneider Electric, which they can utilize if necessary. One of the tasks of the salesmen has been creating the business networks which now benefit the company. (Hämäläinen 2012) Vamp is using its business networks in daily basis because their partners in foreign countries are doing the selling of Vamp Oy's products; with the help of Vamp. The foreign partners are handling also the deployment of the products and the product support. In case the foreign partners are lacking the ability to support, the calls are directed to Vamp's 24/7 technical support. (Hämäläinen 2012) They have benefited from employees' business networks by being able to utilize the employee's former counterparties. Like Ververst, Van Liere & Zheng (2009) mentioned about the profitability of business networks, also Vamp's networks have been one source of bringing really big deals to the company. The interviewee stated that "it has most definitely affected on, for example, turnover and profits, because without these business networks there is a possibility that these deals would not have been contracted". The most important role of the business networks plays *"the integrators"* who are the ones who take Vamp's products into use. (Hämäläinen 2012)

5.3.7 The Use of Knowledge Management

Knowledge Management is not used as a method to manage competencies. Even though not using Knowledge Management knowingly, employees are collecting so called tacit knowledge, for example, from exhibitions by hearing new things and then using this information if needed, in product development processes. (Hämäläinen 2012) The interviewee says that sometimes they have used tacit knowledge maybe too much in different projects when involving customers with the product development processes. The interviewee mentioned also development conversations, which are one method for discovering hidden competencies, and then utilize them if needed. In the development conversation the both parties – the employer and the employee – can discuss what competencies could be improved or which competencies are wanted to use. (Hämäläinen 2012) The company does not have the resources, or maybe even the competency, to use a fully functional Knowledge Management strategy, but the interviewee says it could be a good way to manage competencies. He says he has a positive attitude towards Knowledge Management, but because Vamp Oy is a quite small company, they do not have the dedicated employees to deal with these kinds of issues. Many employees have a few tasks to deal with simultaneously so the resources just are not enough. (Hämäläinen 2012)

5.4 The Story of Wärtsilä

Wärtsilä Oyj is a Finnish 178-year-old multinational enterprise manufacturing marine technology, for example diesel and gas engines, power plant solutions, and their services and maintenance. Its core business areas can be categorized as power plants, ship engine systems and their maintenance. It has about 19 000 employees around the world, of which 3500 employers in Finland. The main ownership and a major part of production is in Finland, but it has global activity by having 170 offices in about 70 countries. Today Wärtsilä Oyj's profit is about 500 million Euros, which indicates that Wärtsilä has grown to be very successful. (Palosaari 2012)

5.4.1 Introducing the Respondents

In the year 1986 a young employee started as a training secretary. At that time Wärtsilä was a smaller company and in Finland it employed about 1100 employees. Even though the compacy was smaller, there was still a need for employee training. The company had a one year lasting engineering workshop training where they trained assemblers and production workforce. Over the years this employee has become a team leader of learning and development section of Wärtsilä, and is very professional in her job. (Lämsä 2012)

11 years ago Wärtsilä hired a recruitment manager, who is today also a professional team leader in his area of business. He is working with recruitment procedures and employer image issues. His tasks include learning institution cooperation and he has also been involved with a few projects, like in the development process of Wärtsilä's electronic recruitment system. The tasks have been versatile and they vary depending on the situation. (Palosaari 2012)

They both think utilizing employee competency is a very important asset for Wärtsilä and for a company in general. They explain utilizing their own and also their colleagues' competencies in their professions as much as they can, but sometimes training is required in order to be able to utilize the necessary competency.

5.5 Research Results of Wärtsilä

In the next section the results of Wärtsilä will be discussed. As in the section about Vamp, also here the competencies examined in this thesis will be discussed thoroughly from the interviewees' point of view. The interviewees' explain also about competencies at Wärtsilä and tell about Wärtsilä's Knowledge Management.

5.5.1 Employees and Competency in General

The average age of employees is around 38 years of age, which is quite youthful compared to many other organizations. (Palosaari 2012) Wärtsilä appreciates both recently graduated employees and the ones who have a long history within the

company and the gained wisdom of the business. Because Wärtsilä's values include 'developing new' in order to keep the competitive edge, both the skills needed and the new innovative visions are much appreciated and Wärtsilä strives to take these both aspects into consideration in recruitment situations. (Palosaari 2012) It is quite common that employees proceeds with their career inside the company (Lämsä 2012).

When asking to describe employee's competency the answer was as follows:

"Employee's competency is the know-how of the task performed and the ability to develop yourself. It is important to be aware of the competencies possessed but also to look at your own performance in a critical way, so that it can be developed in better way if there is something to develop."

Because of the international nature of the business the tasks can be demanding and that is why it is important to be able firstly to utilize one's own competencies in order to perform well (Lämsä 2012). The competencies examined; education, language, cultural awareness, and business networks are needed in daily basis at Wärtsilä, because the company is very international. It indicates that competencies studied are required especially in Wärtsilä Shared Service Center in order to perform the best possible way. In production sector the majority of the employees are native and they can manage with native languages and English; because the manuals and programs are in English (Palosaari 2012).

Because Wärtsilä has such a versatile business area it is highly important that the employees are trained by Wärtsilä into the work tasks that are needed. The company's intention is to offer five trainings per year per employee. They have a lot of training also in Finland and these trainings are managed by four vacant employees and two part-time employees, who deal with training issues in Wärtsilä Finland. (Lämsä 2012)

5.5.2 The Need of Language Skills

Only at Wärtsilä Finland there are over 40 nationalities working full-time. English is almost a "must" because of the number of nationalities the company has. The

importance of speaking English is high not only because many colleagues do not speak either Finnish or Swedish, but the majority of the customers are foreign. In Vaasa Shared Service Center there are 12 nationalities working and 21 languages used. The employees in Wärtsilä Shared Service Center serve over 70 countries. (Palosaari 2012) It indicates that the linguistic competency is very important in Wärtsilä. Spanish, Italian and Chinese are the next used languages within the company after English. These are also shown in Chart 2. Wärtsilä offers versatile language trainings to its employees and in some years, for example Russian and Chinese were offered (Lämsä 2012). Russian is believed to be one of the rising and needed languages at Wärtsilä, because of the high potential of the country (Palosaari 2012). Utilizing employee's language skills in a situation where English cannot act as a mutual communication language is seen as a good option. Language is said to be one tool of approaching customer – if you know even a few words it usually creates a positive impression. (Lämsä 2012)
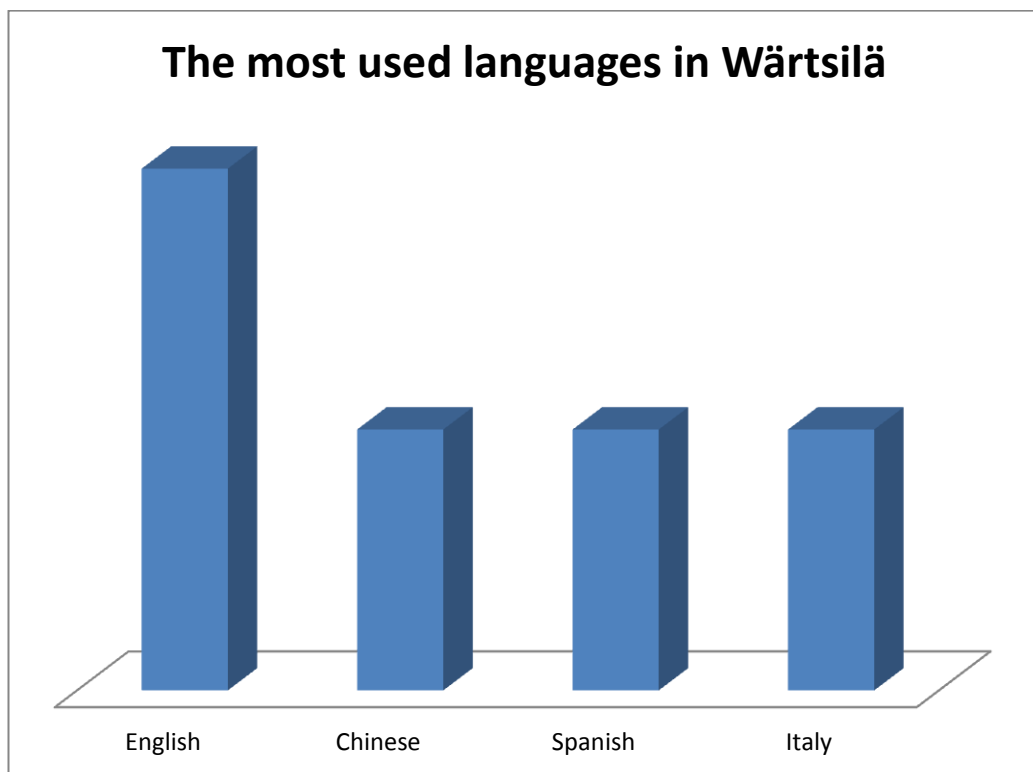

Chart 2. The Most Used Languages at Wärtsilä

5.5.3 A Seek for Tacit Knowledge

Sometimes there have been situations in which Wärtsilä finds its own employees possessing the knowledge and competencies even though they have used consultation or other services. (Lämsä 2012) Tacit knowledge can be hard to find, and like Moon (2012) stated, the sharing of tacit knowledge can be hard because employees might not know they possess the knowledge needed. Wärtsilä has had combined trainings where there has been a Wärtsilä's competent employee and a consultant; this way the knowledge has been transferred efficiently. Wärtsilä uses a tool called 'global training calendar', where the employees can see which trainings are offered and apply to these trainings after the approval of the superior. The trainings are a very good way to improve the existing competencies and learn new things, for example, about cultural differences. (Lämsä 2012) Wärtsilä has also a page in their *intranet* where the employees can see the company's four global portfolios; leadership, project management, sales and technology. In management and leadership portfolio they have a 'mentor-program', where so called tacit knowledge can be transferred. The main idea of this program is that a senior employee transfers the knowledge to a junior employee. (Lämsä 2012) This way Wärtsilä can ensure the company's knowledge transfer throughout time. In the recruitment process the company tries to organize the acquaint-period in a way that the new employee can work a short while with the earlier employee, and this way gain the knowledge of that specific job (Palosaari 2012).

One way of using or utilizing the hidden competencies is that superiors give challenging and developing tasks to employees. This way tacit knowledge might be discovered and used, and the employees' motivation will be maintained. (Lämsä 2012) Also the knowledge and competencies of new-comers are taken in with an open mind because sometimes they can possess special know-how which the company does not own already (Palosaari 2012).

5.5.4 Employee's Cultural Awareness

Cultural awareness is important at Wärtsilä and in an international company in general. Sometimes there can be challenging tasks where the employee must own

the necessary cultural awareness. Being familiarized with your own culture is very important so that the employee can then better understand different cultural behaviors. (Lämsä 2012) Because Wärtsilä has many subsidiaries around the world it is much easier to do trade than if they did not have the help of a foreign country's local employee; the local organization is there with, for example, the Finnish employee (Lämsä 2012). On the other hand, if sometime a machine repair is needed, the repairman is traveling alone to the target country. In this kind of a situation cultural awareness is acting in high position. (Palosaari 2012) One other example of when the cultural awareness of employee is important, is when Wärtsilä is having power plant projects in a customer's country. Then the project managers usually are from Wärtsilä Finland, and the project organization consists of the target country's local employees, for example African employees. These projects can last for a long period of time so mutual procedures and understanding is crucial. (Palosaari 2012) Cultural awareness is an important part of employees' every day job and several subsidiaries make sure that cultural awareness is utilized the best possible way. As Puffer (1996) mentioned cultural awareness is about avoiding misunderstandings and hurting one's feelings, also Wärtsilä agrees. One very important aspect of cultural awareness is said to be avoiding troublesome situations and insulting the counterpart. It is said that cultural awareness indicates politeness and that you have familiarized yourself with the target country's culture. Culture is said to hold a lot of tacit knowledge inside, and some issues are possible to be learnt through experience and, for example, a junior manager accompanying a senior manager in international meetings. (Palosaari 2012) Another way of learning cultural differences can happen through hearing about colleagues' experiences (Lämsä 2012).

5.5.5 The Importance of Education

Young, recently graduated employees are targeted to be often hired because they own the most recent education and knowledge of the industry. This way Wärtsilä also tries to gain the beneficial competencies. The education of employee's is very important because if an employee does not have a long work experience of the industry then the right, exact education is needed. (Palosaari 2012) The

importance of special knowledge of an industry was also discussed by Behrman & Stacey (1997), and this way the company can make sure that the applicant really knows his job and tasks and is able to perform in a utilizing way. Education and educated employees bring new visions to the company and make sure that the old habits are refreshed and developed. (Palosaari 2012) Education is also mentioned to be one of the aspects of having competitive advantage.

5.5.6 Business Networks

Business networks are considered to be important but, for example, in the recruitment process these kinds of issues are not the most important aspects focused. One example of utilizing business networks is when Wärtsilä had two Nigerian apprentices. Their country knowledge of Nigeria was utilized by sending them in Nigeria as apprentice and the reason their competencies were used was the country knowledge and the local behavior knowledge. (Palosaari 2012)

5.5.7 The Use of Knowledge Management

Different HR (Human Resource) -processes support Knowledge Management. Three global HR-functions: Learning & Development, Processes & Projects, and Resourcing, administrates the organization's Knowledge Management. These functions are represented in international, regional and national level. Also the HR of different trade divisions supports Knowledge Management. Wärtsilä tends to take employee's competencies into use in every department. (Lämsä 2012) One way to manage employees' competencies is said to be Wärtsilä's training register where the new skills and knowledge trained can be seen from. This way Wärtsilä stays aware of the competencies that the employees have gained during their career in Wärtsilä (Palosaari 2012). Knowledge Management is seen as a strategic tool to manage employees' competencies in a long run. Through Knowledge Management a company can see what kind of competencies is needed to perform the tasks well, and this way maintain the competitive advantage. Also Wärtsilä uses development discussions as a tool to discover, for example, each employee's competency strengths and possible targets for development, and draw up a development plan for the upcoming year. These discussions are held between the

supervisor and the subordinate once or twice a year (Lämsä 2012).   In the following there is an example about the content of one of the development plans:

Learning Plan

"What skills and competences do you intend to develop to become more effective in your work, and how will you develop them through i.e. tutoring, mentoring or coaching, participating or leading a project, reading and self study, on-the-job training or a formal education etc." (Lämsä 2012)

Clear planning and Knowledge Management helps the company to utilize the competencies in the best possible way – though Wärtsilä admits that they too still have a lot more work to do concerning these issues (Palosaari 2012).

6 A COMPARISON BETWEEN VAMP AND WÄRTSILÄ

In this chapter I compare the results of both companies received from the multiple choice questionnaire, and explain them briefly based on the interviews. The intention is to find similarities and differences in their visions and opinions.
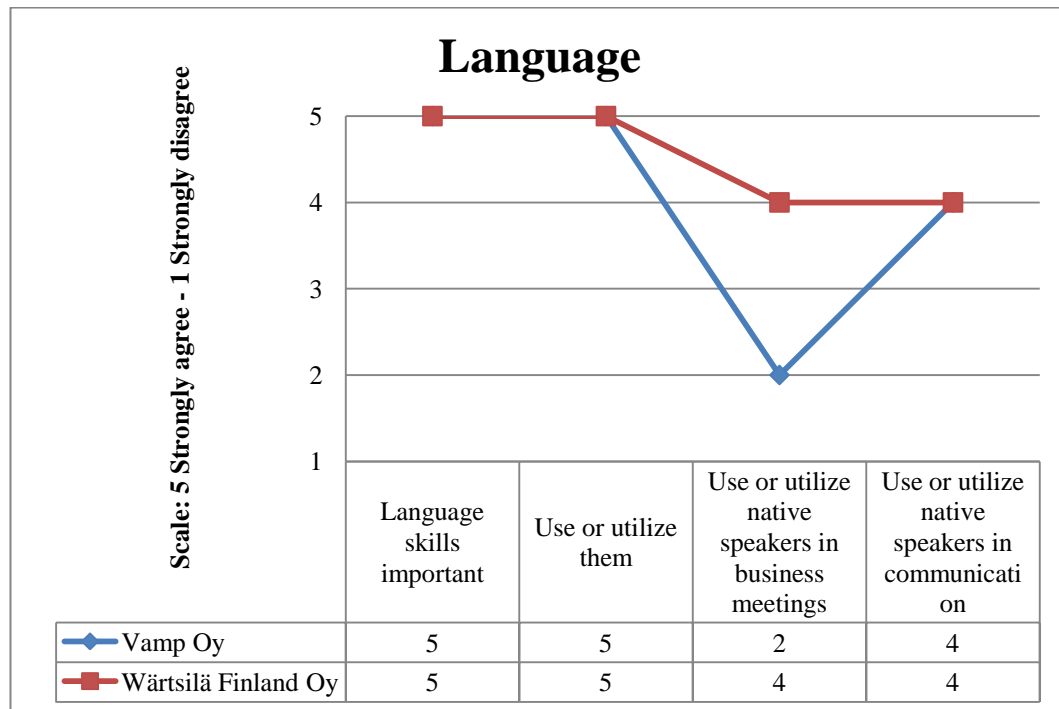

Language

	Language skills important	Use or utilize them	Use or utilize native speakers in business meetings	Use or utilize native speakers in communication
Vamp Oy	5	5	2	4
Wärtsilä Finland Oy	5	5	4	4

Scale: 5 Strongly agree - 1 Strongly disagree

Chart 3. The Significance of Language

Both companies thought language skills are *very important* and they are *always* utilizing them. Vamp *rarely* uses or utilizes native speakers in business meetings, because their usual business language is English, which all of their employees are able to use. In this case Wärtsilä Finland uses or utilizes native speakers in business meetings *occasionally*, because they have so many offices around the world and the native speakers are on hand. Both companies *occasionally* use or utilize native speakers in business communications, which means that the language skills of native speakers are used, for example, in telephone conversations, support services, enquiries etc. This is shown in Chart 3.
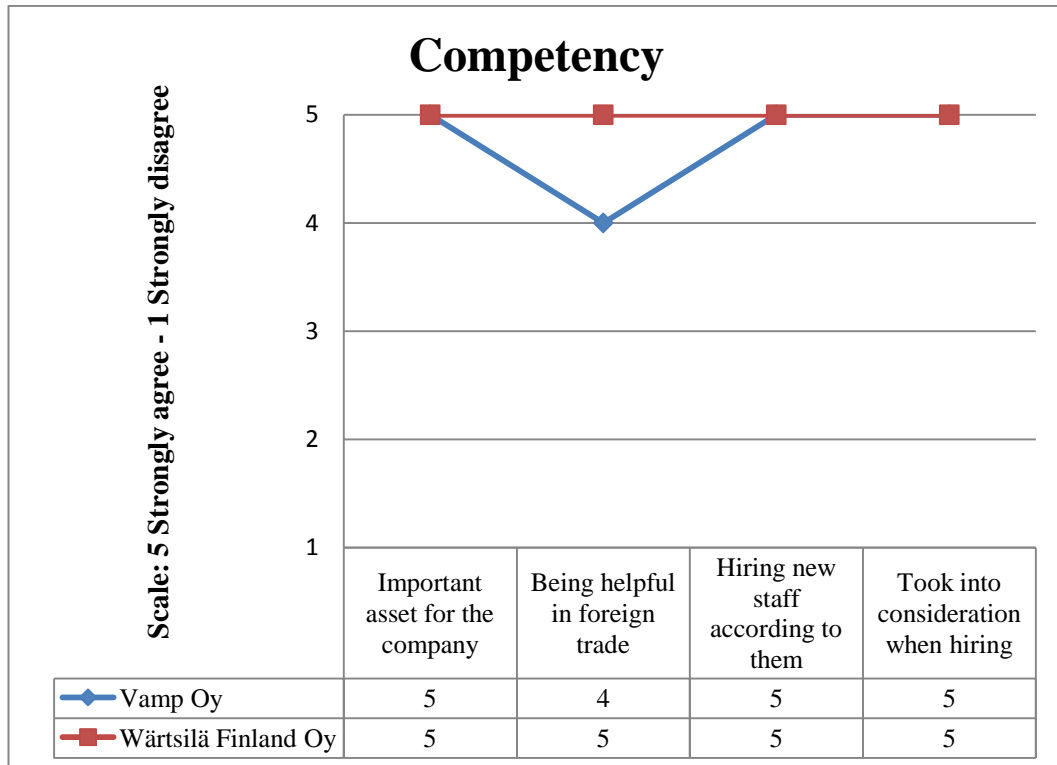
Chart 4. The Significance of Competency

Chart 4 shows the difference between Vamp and Wärtsilä when concerning competency. When asking whether employee competency is an important asset for the company in general, both companies answered that it is *very important*. Vamp responded that competency helps their company in foreign trade *a lot*, whereas Wärtsilä responded that it has helped their company *very much*. It explains that both companies need employee competencies in order to be a succesful company, and Wärtsilä boosts their employee competencies by frequently serving training programs. Both companies stated that they *always* hire employees based on their competencies and competencies are *always* examined in the recruitment process. The reason for this is because in both companies competitive advantage is basically based on employee competencies, and they need the right persons to fill the open positions within the company.
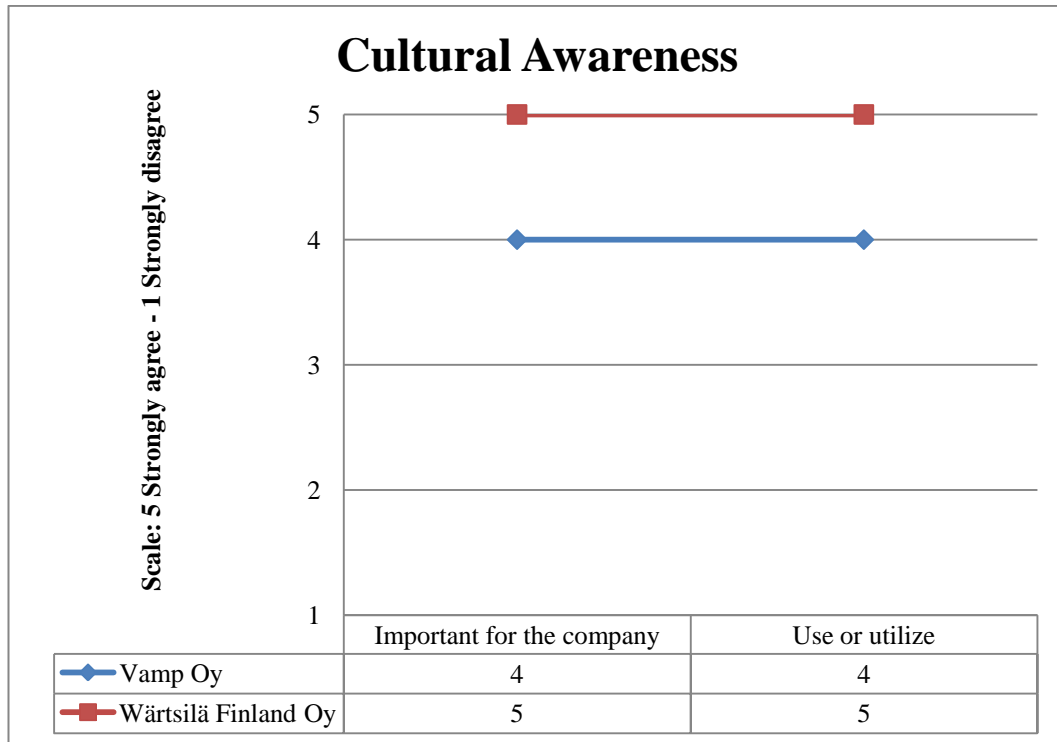
Chart 5. The Significance of Cultural Awareness

Wärtsilä answered that each employee's cultural awaress is *very important* for the company. This is explaind by the multinational company –form. Every employee deals with variety of cultures and nationalities, internally and externally, thus the cultural awareness is thought of very important competency. This explains the answer of *always* using or utilizing the cultural awarenss of employees; they need it every day to make succesful deals and to work with each other. The company has many training programs concering the matter. Cultural awareness for Vamp is *slightly important*. Even though they have also other nationalities than Finns working in their company, and they are dealing with international markets, the technical competency is more valued. All the employees possess some awareness of different cultures, thus they rarely face any difficulties in international markets. Vamp uses or utilizes the employees' cultural awareness *occasionally*, usually in situations when they are dealing with foreign customers. These are shown in Chart 5.
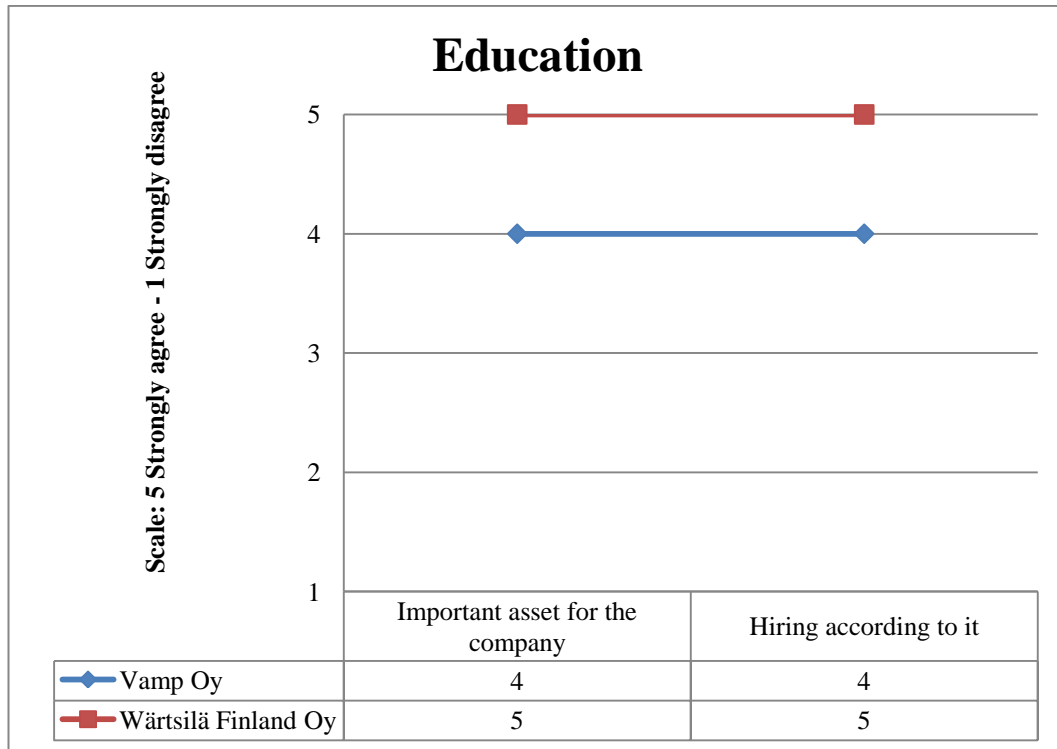
Education

	Important asset for the company	Hiring according to it
Vamp Oy	4	4
Wärtsilä Finland Oy	5	5

Chart 6. The Significance of Education

Concerning education Vamp stated that employee education is a *slightly important* asset for their company and they *occasionally* hire based on education. This is explained by the need for experienced employees who have the industry knowledge of many years and they feel education is in the second place comparing to experience. Wärtsilä, on the other hand, stated that employee education is a *very important* asset for the company and they *always* hire according to it. This can be also seen from Chart 6. Education helps Wärtsilä to follow the right path and the company feels they can benefit from the recent knowledge of the industry through the education of their employees. The matter of following the industry through education was also discussed in chapter two. Education is in focus especially in the recruitment process, because this way the company can assure that the applicant has the right exact knowledge that is needed in filling the open position.
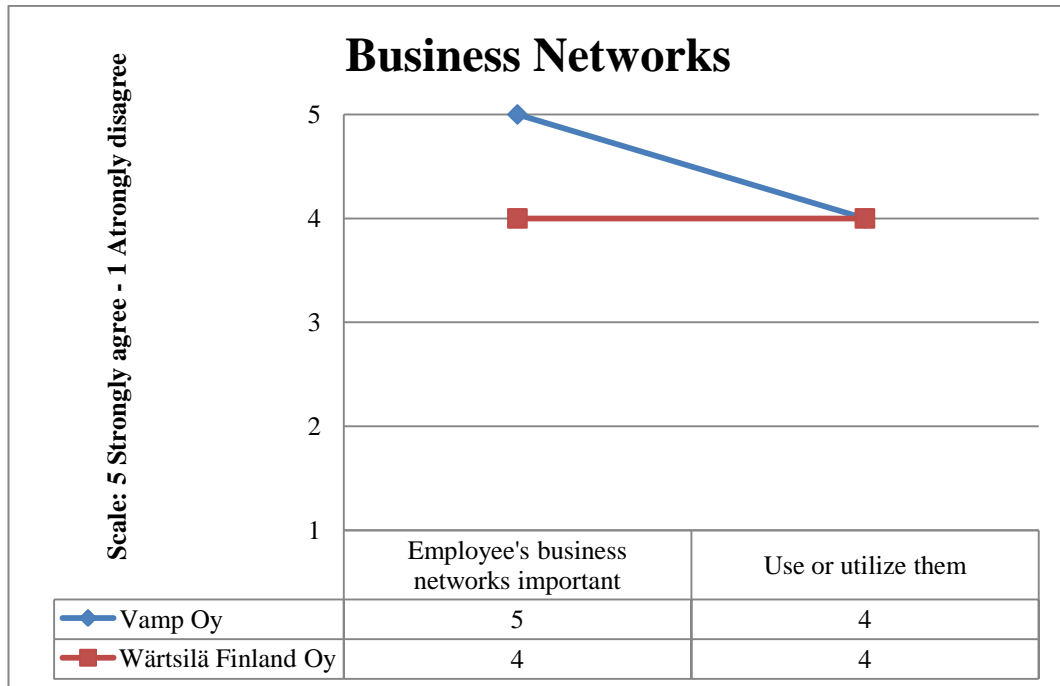
Business Networks

Scale: 5 Strongly agree - 1 Atrongly disagree	Employee's business networks important	Use or utilize them
Vamp Oy	5	4
Wärtsilä Finland Oy	4	4

Chart 7. The Significance of Business Networks

Employees' business networks turned out to be *very important* for Vamp and the company is using or utilizing them *occasionally* as it can be seen from Chart 7. The importance of business networks comes from the fact that in the beginning of its history Vamp needed the business networks to start the business immediately. Business networks have brought a lot of good deals for the company. Every time they have a change they use them in a beneficial way. Wärtsilä thinks its employees' business networks are *slightly important* for the company and they are *occasionally* using them. They say business networks are not considered that much because the company is operating in so many countries and the company's network is wide already, but they gave an example of when they purposely used the business networks and knowledge of trainers on a foreign assignment.
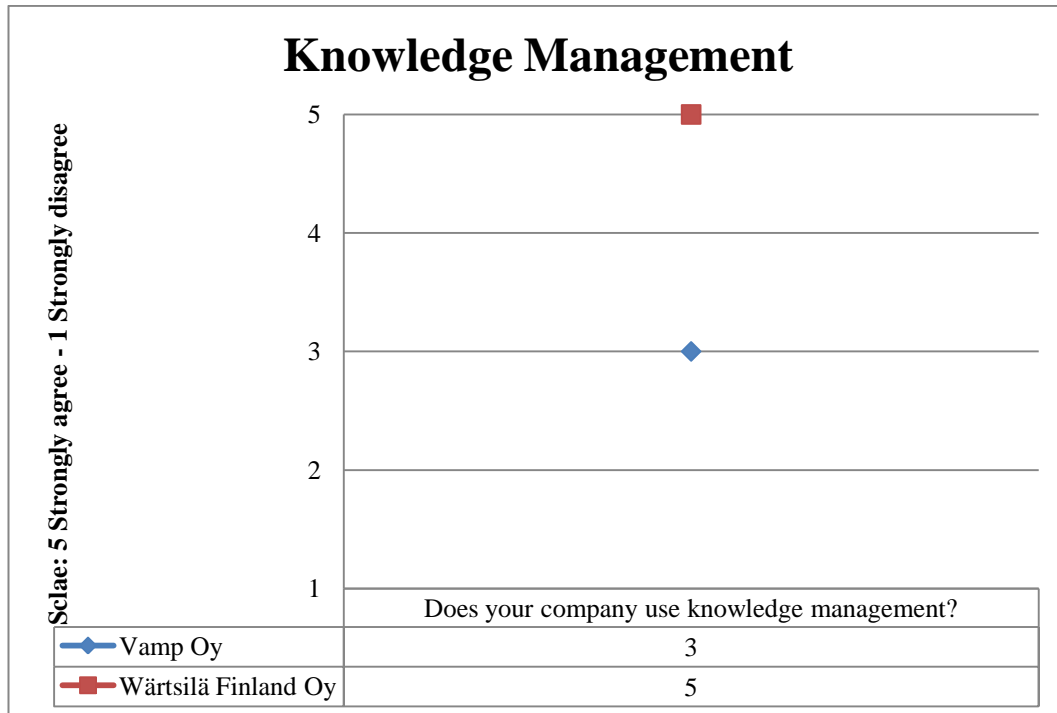
Chart 8. The Use of Knowledge Management

From the area of Knowledge Management I asked only this question *'Does your company use Knowledge Management?'* and based on this answer I created the interview questions concerning Knowledge Management. Vamp answered *'I don't know'* and Wärtsilä answered *'Always'*. Both companies understand the importance of managing and utilizing their employees' competencies. Knowledge Management does not have to be executed in one certain method; it is created to benefit the company to work faster when they can immediately utilize the existing competencies by knowing exactly which knowledge and competencies they possess. Wärtsilä uses the Knowledge Management strategy to manage their employees' competencies, and it has three global HR-functions to administrate Knowledge Management. Although Vamp stated they do not use Knowledge Management as a strategy nor do they have Knowledge Management approach, they still strongly have the features of it by using, for instance, the competency tables.

The next section shows accurately the differences between Vamp and Wärtsilä. These differences can be seen from Table 5.

	The Utilization of Employee Competencies	
	SME (Vamp Oy)	**MNE (Wärtsilä Oyj)**
Competency in general	· One of the most crucial elements to run the company · Always hiring according to competency	· Thought as important for the company · Offers trainings to enhance it · Always hiring according to competency
Tacit Knowledge	· Company's history awareness important · Experiences valuable · Gained also from customers · Visions, ideas are taken into consideration	· Sometimes they find out the company already has the knowledge that was needed · Use of combined trainings with consultant and Wärtsilä · Mentor-program · Acquaint-period with existing employee
Language	· Considered very important · Used in everyday life · Most used languages: **English** (office language), **Finnish, Swedish, Spanish, Russian, Chinese** · Rarely utilizes native speakers in business meetings · Occasionally utilizes native speakers in communication · Utilized in: business meetings, negotiations, communication, after-sales	· Considered very important · Used in everyday life · Most used languages: **English** (office language)**, Chinese, Spanish, Italy** · Occasionally utilizes native speakers in business meetings · Occasionally utilizes native speakers in communication · Utilized in: situations where English cannot act as a mutual language, Wärtsilä Shared Service Center
Cultural awareness	· Slightly important · Employees posses awareness of different cultures · Utilizes the cultural awareness occasionally · Might have faced difficult situations · Utilized in business meetings and negotiations · Also important if foreign customers are invited to home	· Very important · Used in everyday life · Utilizes the cultural awareness always · Cross cultural training offered · Highly important for the repairman · Important in power plant – projects · Helps to avoid troublesome situations, like insulting the customer

Education	· Slightly important · Occasionally hiring according to education · Is in the second place after experience	· Very important · Always hiring according to education · Is in focus especially in recruitment process
Business networks	· Very important · Utilized occasionally · Are the basis of the business · New employee's business networks are utilized if needed	· Slightly important · Utilized occasionally · Has a wide network as a company already · Single employee's business networks are not focused
Knowledge Management	· Not used as a strategy · Development conversations used · Does have some features of it · Not enough resources	· Used as a strategy · Three global HR-functions work with it · Development conversations used

Table 5. A Comparison between Vamp and Wärtsilä

7 CONCLUSIONS AND DISCUSSIONS

The aim of this chapter is to take a look at what has been researched and what are the results of the research. The theoretical study of this thesis concentrates on employee competencies; education, language, cultural awareness, and business networks. Also knowledge and especially tacit knowledge is discussed. Two theories, Hofstede's dimensions and Hall's cultural dimension about cultural differences are included in the thesis to give a comprehensive view on how cultures can differ from each other. The methods of managing employee competencies from Knowledge Management perspective are examined and included in the theoretical study.

The significance of employee competencies is an increasing factor of a successful enterprise in today's business world (Kessler 2008). This was also shown by the research results. Employee competencies are considered to be a valuable and very important issue at both companies, Vamp and Wärtsilä. Competency is said to add the competitive advantage because by ensuring a company has the most competent employees, they do not face problems as various difficulties in demanding situations. Language skills are one major requirement of employees, because language is needed every day and both companies have English as their office language. Both companies have native speakers in their company and they are utilizing them in different situations. By operating in international markets each employee's cultural awareness plays an important role for both companies, being still a little bit more important for Wärtsilä because of the everyday need for cultural awareness at Wärtsilä. Education is considered to be a more important factor for Wärtsilä than Vamp, and Wärtsilä also always hires according to an employee's education. Business networks, on the other hand, play an important role for Vamp, because of the high need of them. Knowledge Management is used as a strategic tool to manage employee competencies at Wärtsilä, but not at Vamp, though Vamp is very close to it.

In the beginning of the process of writing the thesis I came across with some obstacles. I questioned my own competencies for dealing with this topic, because not that much literature about utilizing employee competencies was found.

Another difficulty was the unwillingness of companies to participate when searching for case companies. Luckily I was able to find two very interesting companies which were interested in the topic researched. The idea of writing the thesis about employee competencies started when I started to wonder how Finnish international companies manage to succeed in the international markets.

After finishing the research I feel comfortable with the research results. I want to thank both companies for taking part in this research and give special thanks to Ms. Ulla Lämsä and Mr. Mika Palosaari from Wärtsilä, and Mr. Pekka Hämäläinen from Vamp for the interviews.

7.1 Suggestions for Further Research

For further research I would suggest examining competency utilization of foreign companies in order to see if there are similarities in the Finnish management style and in foreign management styles. Also, I would add employees' own experiences to the competencies studied. One other research topic that interests me is to find out how the competencies and knowledge of trainees are taken into consideration during practical training periods.

Knowledge is power – Ipsa Scientia Potestas Est
- Sir Francis Bacon, Meditationes Sacræ. De Hæresibus. (1597)

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Questionnaire

This questionnaire examines employee's competencies which are defined: education, culture, language and business networks. It is supposed to measure the company's way of dealing with employee's competency.

Competency

1. Do you think the employee's competency is an important asset for your company?

    5. Very important 4. Slightly important 3. I don't know 2. Not so much 5. Not at all

2. Have you noticed employee's competency helping you in foreign trade?

    5. Very much   4. A lot   3. I don't know   2. Not so much   5. Not at all

3. Does your company hire employees according to their competencies?

    5. Always   4. Occasionally   3. I don't know   2. Rarely   5. Never

4. Do you take competency into consideration when hiring new staff?

    5. Always   4. Occasionally   3. I don't know   2. Rarely   5. Never

Education

5. Do you think employee's education is important asset for your company?

    5. Very important 4. Slightly important 3. I don't know 2. Not so much 5. Not at all

6. Does your company hire employees according to their *education*?

    5. Always   4. Occasionally   3. I don't know   2. Rarely   5. Never

Culture

7. Do you think employee's cultural awareness is important for your company?

    5. Very important 4. Slightly important 3. I don't know 2. Not so much 5. Not at all

8. Do you use or utilize employee's cultural awareness?

    5. Always   4. Occasionally   3. I don't know   2. Rarely   5. Never

Language

9. Do you think employee's language skills are important?

    5. Very important 4. Slightly important 3. I don't know 2. Not so much   5. Not at all

10. Do you use or utilize employee's language skills?

    5. Always   4. Occasionally   3. I don't know   2. Rarely   5. Never

11. Do you use or utilize native speakers in business meetings?

    5. Always   4. Occasionally   3. I don't know   2. Rarely   5. Never

12. Do you use or utilize native speakers in communication?

    5. Always   4. Occasionally   3. I don't know   2. Rarely   1. Never

Business networks

13. Do you think employee's business networks are important?

    5. Very important 4. Slightly important 3. I don't know 2. Not so much 1. Not at all

14. Do you use or utilize employee's business networks?

    5. Always   4. Occasionally   3. I don't know   2. Rarely   1. Never

Knowledge Management

15. Does your company use Knowledge Management?

    5. Always   4. Occasionally   3. I don't know   2. Rarely   1. Never

Open Questions: Employee Competencies

The aim of the study is to research how employees' competency/competencies (tacit knowledge, education, language, individual culture, business networks) are being utilized in today's international company. I will research two different sized companies –SME and MNE – and how they are dealing with the employee competencies. I hope the study to show the differences between management styles in SME and MNE.

First I would like to hear the respondent's story.

What is your position in the company?

Could you tell something about the company?

Tell shortly your history within the company

Do you utilize your own or other employees' above mentioned competencies in your profession?

Employees

1. How many employees does your company employ?
2. How many nationalities are working in your company?
3. What about the age of employees? What is the average age in the company?
4. Do you prefer employees who have been long in the field and have a lot of experience, or young new-comers who have fresh visions, the enthusiasm and the recent education, or both? Why?

Competency

1. How would you define *employee's competency?*
2. Do you recognize using any of these competencies: education, business networks, cultural awareness, language skills and if yes how are you utilizing it/them (in which situations)?

3. Do you use any other employee competency/competencies which could be defined as tacit knowledge?
4. If you are utilizing employee's competency, how are you managing it?
5. Do you recognize using employee's tacit knowledge in your company? How?

Education

1. What do you think about employees education, is it important or not, and why?
2. In which ways employee's education is helping your company?
3. Which aspects do you feel you can gain from employee's education?
4. Do you utilize freshly graduated employee's education? Why and how**?**

Culture

1. Have you faced cultural difficulties in international trade? In which way?
2. Have you thought of utilizing the cultural knowledge of foreign national? How?
3. In which situations do you think employees or company's cultural awareness is important? Why?
4. Do you use foreign national's help in problematic situations, for example in etiquette matters or in negotiations? If yes, how?

Language

1. Which are the most used or needed languages in your company?
2. Do you have native speakers in your company? Which?
3. Do you have linguistic employees in your company?
4. In which situations foreign language is needed the most and how are you using it?

Business Networks

1. If your company has benefited from employee's personal contacts, how?
2. If your company has utilized employee's business networks, have they affected for example in turnover, profit or customer segments? In what else?

3. Which aspects do you think are the most important aspects of employee's business networks? (Supplier relationships, key customer relationships etc.) Why?
4. If your company utilizes employee's business networks, how and in which situations? (Supplier relationships, key customer relationships etc.)?

Knowledge Management

1. If your company uses Knowledge Management, how?
2. If no. Why not?
3. If yes. How does your company benefit from it?
4. If yes. Do you feel KM is important resource for your company? Why?
5. Do you think KM can help with utilizing employee's competencies? Why?