Relationship between Organisation Culture and Knowledge Management in SME's

Cezar-Petre SIMION

The Bucharest Academy of Economic Studies, Romania

E-mail:cezarsimion@yahoo.com

Phone: +40 0744 901 859

Victor RADU

The Bucharest Academy of Economic Studies, Romania

E-mail: rvictor@ase.ro

Phone: +40 021 319 19 00/137

Abstract

The article is about the way in which the organisation culture influences the knowledge management in the small and medium-sized enterprises. With the increase of the complexity of the environment in which the SMEs exist, they rely more and more on knowledge as assets and development source. Thus, the organisation culture becomes a mediator between personal knowledge and organisational knowledge, as well as one of the most important factors that condition the knowledge management in SMEs.

Among the most important cultural barriers for the knowledge management are: the differences between the declarations and the actions of the managers, the use of the principle 'knowledge is power', the apathy in the dissemination of knowledge, the syndrome 'it has not been invented here', the language, the mechanistic perception of the organisation, the organisation 'amnesia', the over appreciation or under appreciation of the technologies, the attitude 'knowledge is not an advantage and does not increase for ever'.

Keywords: *management, knowledge, organisation, SMEs, organisation culture, cultural barriers*

JEL classification: M19, M14

1. The necessity of knowledge management in SMEs

The owners and managers of SMEs see differently the success of their activities; the most often mentioned criteria are: the survival and continuity of the enterprise, the profit obtained, the profitability, the quality of the products and services offered, the knowledge obtained the possibility of hiring members of the family.

The knowledge have a more and more important role in the development of SMEs while the environment gets more competitive and complex and permanently requires change and innovation.

Among the most important ways of development of the activities of the SMEs that have been identified until now and which involve the management based on knowledge are:

- the permanent adaptation to the environment in which the organisation develops;
- the permanent learning from the relationships with the clients and with the innovating leaders;
- obtaining and maintaining a small market segment which is not contested by the others;
- creating a new technological infrastructure that cannot be replicated in a short period of time;
- obtaining the loyalty of its own employees;
- exploiting the information inertia of the big enterprises.

While the enterprises focus on knowledge as essential assets of the organisation, it appears the need of finding new ways to measure and maintain the performance of the organisation in this new knowledge paradigm.

Creating new knowledge within the organisation is an iterative process that contains:

1. **Empathy** – developing new ideas in the relationships and contacts with other persons;
2. **Expressing** the ideas in an explicit form;
3. **Connection** – the use of explicit forms as support for the development of the idea;
4. **Incorporation** – the use of the idea to create a product/ service/process that has an economical value *in nuce*.

The necessity of knowledge management in SMEs, compared to the big enterprises, is a consequence of their specificity:

- knowledge within SMEs tends to be tacit/informal/not recorded in official documents;
- knowledge are not always evaluated at their true value;
- the type of short term approach specific to SMEs does not allow the accumulation of knowledge and experience;
- the knowledge are easily lost or fragmented if the owner sells the enterprise or retires.

The success of any initiative for the transformation of an organisation into an organisation based on knowledge depends on the environment in which the organisation staff is motivated to communicate, to collaborate, to share and to reuse information.

2. The relationship organisation culture – knowledge management in SMEs

Culture is probably the most important factor in knowledge management because it influences the individual behaviours. The management of an organisation based on knowledge involves the taking into consideration of the cultural aspects because it involves three stages:

- obtaining the support and the active involvement of the members of the organisation (problems concerning human resources: motivation and competencies);
- relationship between formal and informal organisation;
- creating the proper environment for implementing the knowledge management within the organisation.

There are many definitions for culture, which reflect various points of view about it, but the most suited in the knowledge management context is the one that defines the organisation culture as 'the manner learned of perception, thinking and feeling, transmitted between the members of the organisation' (Schein, 1985). The organisation culture represents a group of values, practices, behaviour models, rituals, traditions that are characterised by transindividuality. Although every individual knows them and uses them within the organisation, they have their own constitution, structural, stable and independent of personalities. The structure of the organisation culture results from the coherence of the components of the messages, from the integrated significances that work as a whole. A rule or a tradition, a ritual or a value completes others that have a meaning in that organisation.

Other approaches (Michon and Stern, 1985) consider that 'the organisation culture is the sum of all symbols, rituals, myths, values and behaviour standards shared by the members of a human group and which are transmitted from generation to generation as life experience, is a micro culture in which the fundamental elements of the culture of the society find their specific expression: assumptions, symbols, values, ideals, behaviour standards. The human groups use them to integrate themselves, with their help is realised the control over the behaviour of the individuals'.

The organisation culture reflects not only the relationships between the members of an organisation or of a group but also a complex of representations about the role of the organisation and of its members.

The convictions, aspirations, behaviour manners represent certain specific elements that indicate the characteristics and defining conditions of the activities carried out. Much more important than the enumeration of the elements that compose the organisation culture is their component manner, that is their degree of structural integration, of coherence. Because it is historically determined, the organisation culture reflects the evolution in time of the organisation. It is supported from a social point of view, created and kept by the group of persons that form the organisation and it is hard to be modified.

The organisation culture includes a series of social/behaviour manifestations represented by:

- the values and convictions of the staff;
- the manner in which the employees are rewarded and controlled;
- the orientation towards work of the employees;
- the way in which experiences are shared;
- the way in which authority is imposed and distributed;
- the degree of formalisation and standardisation;
- notions and concepts concerning the use of time and space;
- rituals, myths and organisation stories;
- the organisation 'language' (words or phrases that have a certain meaning or significance for the members of the organisation).

The organisations, even the SMEs, rarely have a single unified own culture. Usually, several subcultures can exist simultaneously in the same organisation (groups that share the same standards, values and practices and which are different from those generally accepted within the organisation).

The members of any organisation can have several cultural filiations in the same time: the professional culture, the organisation culture, the department (team) culture and the national or regional culture. These various cultural influences can influence the way in which the employees perceive the knowledge and their role for the overall performance of the organisation.

The 'European Guide to good practice in KM'[*], created by the European Committee for Standardization, distinguishes two types of organisations: the traditional organisations, specific to the industrial era, and the organisations based on knowledge. The differences between the two types of organisations are indicated in the table below.

Differences between the traditional organisations and knowledge based organisations

Table 1

Traditional organisations	Organisations based on knowledge
Limited distribution of the information	Large scale distribution of the information
Great number of hierarchical levels	Small number of hierarchical levels
Individually taken responsibilities	Shared responsibilities
Based on rules	Based on principles
Formal relationships	Informal relationships
Do not take risks	Take the risks
Occasional training policy	Permanent learning and training policy
Focused on financial aspects	Focused on innovation

---

[*] 'European Guide to good practice in KM', European Comittee for Standardization, Bruxelles, 2004

Traditional organisations	Organisations based on knowledge
Knowledge are kept at the corresponding hierarchical level	Knowledge is explained, transferred and used
The organisation culture is not influenced too much by the relationships with other organisations	The organisation culture takes aspects from the networks in which it takes part.

The organisation culture acts as a mediator between personal knowledge and organisation knowledge and determines what kind of knowledge belongs to the organisation and what type of knowledge remains at individual level or at informal group level.

The employees can have difficulties when they find themselves in the situation of offering the knowledge obtained at personal level to the organisation. The knowledge management has to be based on principles and attitudes that facilitate the transmission of knowledge from personal level to organisation level.

The knowledge psychology distinguishes between the declaratory and the procedural knowledge. While the declaratory knowledge refers to facts and objects, the procedural knowledge refers to the way in which the cognitive processes are realised. The declaratory knowledge is assimilated with knowing 'something' or 'know-what' while the procedural knowledge refers to the processes concerning 'know-how'. A group of specialists (Hartlieb, Leber, Tuppinger and Willfort, 2007) from ISN – Innovation Service Network – Austria proposed a comparative model, indicated in the figure below, of learning at organisation/individual level, as well as the organisation role in the relationship between them.

The analogy between individual and organisation learning shows that the organisation structure is a procedural element and the organisation culture is a declaratory element within the organisations. The individuals use the procedural knowledge (know-how) in order to interact with the environment during their activity within an organisation. The organisations use formal structures (procedures, processes) in their interaction with the environment.

The declaratory knowledge (know-what) is the starting point for the procedural knowledge and the subsequent actions of the individuals. The culture can be associated with the declaratory knowledge because it offers meanings and behaviour standards shared by the members of the organisation.

Individual learning and organisation learning have comparable phases. The changes of the formal organisation structure are the result of the procedural learning and the cultural changes are the result of the declaratory learning. The individual learning processes form the basis of the organisation learning.

Other authors (Lee and Choi, 2000) suggest a relationship between knowledge management and organisation culture as part of the organisation context that conditions the creation of new knowledge.
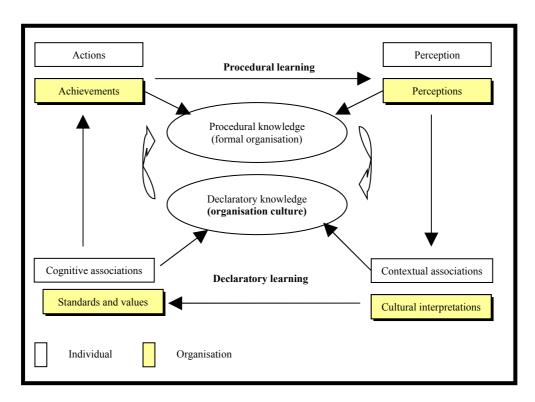
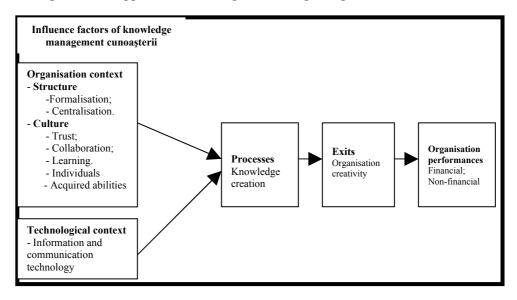**Figure 1 ISN approach concerning the learning at organisation/individual level**

**Figure 2 Lee- Choi model of the knowledge management –organisation
and technological context relationship**

The Heeseok Lee and Byonggu Choi conjecture is based on ten phrases through which positive or negative relationships are established between knowledge management and the factors that influence it. Lee and Choi establish negative relationships between knowledge management and:

- centralisation degree;
- formalisation degree.

Positive relationships, according to the two authors, exist between knowledge management and:

- collaboration;
- trust;
- learning
- information technology.

There are approaches in literature (Lemon and Singh, 2006) that consider the organisation culture as an understood instrument for knowledge accumulation within the organisation and as an essential factor of the innovation capacity. Mark Lemon and Parminder Singh propose four cultural archetypes concerning the innovation based on six cultural dimensions: the degree of liberty, the interactions within the group, the communication, the safety, the work relationships, the time.

The 'degree of liberty' indicates the way in which the employees are encouraged to behave like owners as regards the tasks.

The 'interactions within the group' refer to the degree of formalisation of the relationships between the members of the group.

The 'communication' indicates the degree of feedback received by the employees from the superior level managers.

The 'safety' takes into consideration the employees' perception concerning the safety of the working place, the financial rewards and the personal development.

The 'work relationships' refer to the management style and the type of interpersonal relationships.

The 'time' takes into consideration the long or short-term perception of the knowledge creation process. Short term orientation takes into consideration only the end of the knowledge creation process – their incorporation in products or services, while the long-term orientation considers the knowledge creation process as less connected to obtaining some concrete and immediate results.

The four archetypes are: 'controlled', 'fuzzy, 'inspired' and 'cultivated'. Each of the four archetypes is more or less characterised by the six dimensions presented above.

The organisations included in the 'controlled' archetype are characterised by: short-term orientation, reduced communication, rigid work relationships and are based more on rules than on principles, vulnerability of the positions occupied by the employees, individualism and discouragement of the creativity.

The organisations that correspond to the 'fuzzy' archetype are characterised by: long-term orientation in the important issues, reduced communication, rigid and rule-based work relationships, the safety of the positions

occupied by the employees, individualism and discouragement of the creativity. The knowledge structure within the organisation is divided hierarchically and functionally and the experts of the organisation have a high degree of autonomy in obtaining and applying the knowledge, but the possibility of disseminating it is reduced/limited.

The 'inspired' archetype is common to the organisations characterised by short-term orientation, individual responsibility and autonomy, extended communication and group interactions, informal relationships and high safety of the positions occupied by the employees within the organisation.

The 'cultivated' archetype characterises the organisations in which it prevails long-term orientation in the important issues, high degree of autonomy of the employees, extended communication, the pre-eminence of the informal relationships compared to the formal ones and the high safety of the positions occupied by the employees within the organisation. Collective learning within the organisation is realised through teamwork and practice communities.

3. Cultural barriers concerning knowledge management

The above-mentioned 'European Guide to good practice in KM' identifies thirteen cultural barriers in the implementation of knowledge management within organisations.

1. The time and priorities of the high level management – understanding the implications of acquiring and using of knowledge needs time and depends on the way in which the organisation culture uses the short/long term orientation.
2. The differences between the declarations and the actions of the managers – an organisation in which the actions of the managers encourage only verbally the sharing of knowledge will not manage to become an organisation based on knowledge.
3. The application of the principle 'knowledge is power' – leads to a very competitive internal environment within the organisation and the possession of unique knowledge are seen as a source of job safety.
4. Apathy in disseminating knowledge – the values and behaviour standards within the informal groups can have a major impact on the tendency and availability of the members of the organisation to share information.
5. The syndrome 'it has not been invented here' – the employees can have a better satisfaction by innovating within the organisation rather than by taking an idea formulated by a person outside the organisation, which is an important obstacle in obtaining the knowledge.
6. The reward systems – can be a major obstacle in the cultural change of the organisation, the generation and dissemination of new knowledge.

7. The various cultures and subcultures – social, regional or national – can lead to different behaviours and values that affect confidence and communication.
8. The language – there is no possibility of transmitting knowledge from one group to another or from one person to another without a common language in the organisation.
9. The mechanistic perception of the organisation – considered similar to an installation in which a common change of the processes and technologies will generate the positive wanted effects. Individuals cannot learn on organisational level without being part of a group and without reflection.
10. The organisation 'amnesia' – the organisations often fail in keeping the knowledge acquired in the past because there are not created modalities of transmitting this knowledge between those who retire from activity and the newcomers.
11. The increase of the labour weight in the virtual communities – may lead to difficulties in transmitting personal or professional abilities that need face-to-face meetings.
12. The over appreciation or under appreciation of the technologies – some managers tend to perceive only the information technology as the only resource of the organisation for the creation of the knowledge that will add value to the organisation and other managers, on the contrary, tend to contest its supporting role of the knowledge economy.
13. Attitudes like 'knowledge is not an advantage and does not increase for ever' – based on the belief of the managers and of the organisation staff that there are more important sources for acquiring the competitive advantage.

Suresh Ram (2002) identifies a series of obstacles in the implementation of the knowledge management within the organisations. The most important barriers are shown in the following table.

Obstacles in knowledge management within organisations

Table 2

Obstacles concerning knowledge management	%
The lack of time of the employees	41
The organisation culture does not encourage the dissemination of knowledge	36,6
The lack of the benefits perception	29,5
The lack of adequate instruments for measuring the financial impact	24,5
The lack of staff abilities	22,7
The lack of financing	21,8

Conclusions

The necessity of knowledge management within the SMEs is the natural consequence of the society based on knowledge. The study of the relation between knowledge management and culture is fundamental in the context in which culture is considered, by the majority of the specialists, as being the most important factor in knowledge management because it influences the individual behaviours.

The approaches concerning the cultural barriers in the implementation of knowledge management that were presented in this work (European Guide to good Practice in Knowledge Management, Suresh Ram) emphasizes the importance of different cultural elements for the implementation of knowledge management, even within the SMEs.

References

1. Burduş, E. (2006) - *Tratat de management*, Bucureşti, Editura Economică
2. Drucker, P. (1999) - *Societatea post-capitalistă*, Bucureşti, Editura Image
3. Hartlieb, E., Leber, M., et al. (2007) - *The Analysis of Organisational Culture and Structure as a Basis for the Implementation of Knowledge Management*, Viena, ISN
4. Lee, H., Choi, B. (2000) - *"Knowledge Management Enablers, Processes, and Organisational Performance: An Integration and Empirical Examination"*, London, APDSI
5. Lemon, M., Parminder S. (2006) - *Organisational culture as knowledge repository for increased innovative capacity*, Cranfield University
6. Michon, C., Stern, P. (1985)- *La dimension sociale,* Paris, Editions d`Organisation
7. Năstase, M. (2009) - *Importance of Trust in the Knowledge Based Leadership*, Review of International Comparative Management, Volume 10, Bucharest
8. Nicolescu, O., Nicolescu, L. (2005) - *Economia, firma şi managementul bazate pe cunoştinţe*, Bucureşti, Editura Economică
9. Nicolescu, O. (2001) - *Managementul întreprinderilor mici şi mijlocii: concepte, metode, aplicaţii, studii de caz,* Bucureşti, Editura Economică
10. Ram, S. (2002) - *KM. An Overview*, Knowledgeboard.com
11. Sabău, G. (2001) - *Societatea cunoaşterii, o perspectivă românească*, Bucureşti, Editura Economică
12. Schein, E. H. (1985) - *Organisational Culture and Liderism*, San Francisco, Jossey-Bass
13. *** - *Entrepreneurship survey in the 25 Member States, United States, Iceland and Norway. Analytical Report"*, Bruxelles, EUROSTAT, 2007
14. ***- *European Guide to good Practice in Knowledge Management - Part 5: KM Terminology CWA 14924-5:2004,* Bruxelles, 2004
15. *** - *European Guide to good Practice in Knowledge Management - Part 3: SME Implementation 14.CWA 14924-5:2004,* Bruxelles, 2004