Key Barriers to Knowledge Sharing in Medium-Sized Enterprises in Transition Economies

Narasimha Rao Vajjhala
University of New York Tirana
Tirana, Albania.

Jelena Vucetic
University of Phoenix
Phoenix, Arizona, USA

Abstract

Most of the studies carried out on identification of barriers to knowledge sharing have focused on developing and developed countries. The purpose of this study was to explore the barrier factors inhibiting knowledge sharing in small- and medium-sized enterprises (SMEs) in transition economies that have different social, cultural, and economic conditions as compared to other developing and developed countries. A survey was conducted among 118 respondents working in 20 medium-sized enterprises representing the major sectors of economic activity in Albania, which was the last country in Europe to join the list of transition economies at the beginning of 1990s. This study identified the major barriers to knowledge sharing in SMEs in Albania, namely, cultural issues, motivational issues, lack of human resources, lack of technological resources, and lack of benefits. The identification of barrier factors would assist SMEs in transition economies in designing knowledge sharing activities and ensuring that these barrier factors are addressed in future knowledge management programs. This study is limited by the complexity involved in identification of factors constituting national cultural profiles because each country is likely to have a unique national cultural fingerprint. SMEs form a significant portion of economic activity in Albania. This study is one of the few studies carried out in Albania. This study will also help SMEs in other transition economies in Europe, particularly in the Balkans and Eastern Europe which have similar cultural and social conditions. The findings of this study will help SMEs to identify shortcomings and problems in existing knowledge sharing and management activities and also identify mechanisms to address these shortcomings.

Keywords: transition economies, SMEs, knowledge sharing, barriers, Albania, innovation

1. Introduction

Levy, Loebbecke, and Powell (2003) state that while medium-sized enterprises are identified and recognized as knowledge generators, they are unfortunately poor at leveraging and exploiting their knowledge resources. Several studies have investigated the potential barriers to knowledge-sharing in different situations, including virtual teams (Rosen, Furst, & Blackburn, 2007), virtual communities of practice (Usoro, Sharratt, Tsui, & Shekhar, 2007), and public universities (Zawawi et al., 2011). Several researchers have also explored the barriers in knowledge sharing from an intercultural perspective (Ines, 2011). However, few studies have explored the barriers to knowledge sharing in medium-sized enterprises, especially in circumstances typical to transition economies. Transition economies, especially in Eastern Europe, such as Albania have different political, economic, and cultural characteristics as compared to other emerging economies.

Knowledge sharing and transfer are important factors influencing the processes of innovation and competitiveness (Avdimiotis, Kokkinis & Kamenidou, 2012). Barriers in knowledge sharing and transfer would negatively influence innovation and competitiveness in firms. Organizational leadership of SMEs needs to identify potential barriers to knowledge transfer and sharing in the firms and identify mechanisms of removing these barriers to ensure that innovation and competitiveness is not hindered in the firms.
2. Literature Review

2.1 Transition Economies

De Arriba Bueno (2010) defines transition as the time between end of central planning and implementation of market economy. Transition economies include all the countries, mainly in Europe, that moved from a Soviet-style centrally planned system to a free market system (Svejnar, 2002). The transition economies in Central European countries, namely, Czech Republic, Hungary, Poland, Slovakia, and Slovenia. The transition started in Central Europe and spread quickly to South-Eastern Europe. The transition economies in South-Eastern Europe include Albania, Romania, and Bulgaria apart from the former Yugoslavian republics, including Croatia, Serbia, Montenegro, Bosnia-Herzegovina and Former Yugoslavian Republic of Macedonia (FYROM). Russia and the other countries in the Commonwealth of Independent States (CIS) also come under the category of transition economies. Albania was the last country in this group to move from centrally planned system to a free market system at the beginning of 1990s (Xheneti & Bartlett, 2012).

Transition economies have also witnessed a significant increase in the share of self-employment and entrepreneurial incomes because of elimination of legal restrictions on private ownership and activities (Barlow, Grimalda, & Meschi, 2009). These changes in economic and legal conditions provided favorable conditions for growth of medium-sized businesses in these transition economies. However, the transition has been different in the transition economies in Central European countries as compared to the transition economies in Eastern Europe and the Balkans, in particular. De Arriba Bueno (2010) states that one of the reasons for this difference is the lack of adequate commitment on the part of European Union which has maintained asymmetrical relations with different countries in the Balkans and has shown less interest in the transition economies in the Balkans. Transitions in Balkans were also hampered by economic and political crises in the former Yugoslav republics (De Arriba Bueno, 2010).

Most of the post-communist transition economies, especially in Eastern Europe have struggled to establish and develop institutional frameworks required for business development (Xheneti & Bartlett, 2012). One of the reasons for this struggle is the lack of properly planned transition policies along with inefficient bureaucracy and high levels of corruption in these countries. Political instability, especially in the early 1990s in several Eastern European transition economies hampered the economic transition process.

2.2 Albania

Albania had the most isolationist and repressive communist dictatorship in Europe and was the last country in Europe to move from centralized system to a free market economy (Ballhysa & Vajjhala, 2009; Devlin & Godfrey, 2004; Vajjhala, Raju, & Rawat, 2010). The transition process was initially smooth but was marred by political and economic crises in the late 90s (Jarvis, 2000; Vajjhala & Rojba, 2011). The transition process was not quite smooth for several countries in Europe, including Albania, because of the drastic elimination of existing institutions and the rapid construction of a market economy (De Arriba Bueno, 2010).

Devlin and Godfrey (2004) compare Albania to North Korea by equating the repression and similarities in the Marxist-Leninist regimes in these two countries. Albania had been occupied by the Ottoman Turks for five centuries until the World War I. After that, the communist regime governed Albania for more than four decades. Albania's transition from communism towards free-market system has been quite difficult and characterized by several crises, such as the fraudulent financial pyramid schemes in late nineties, and the Kosovo war (Xheneti & Bartlett, 2012).

Tahiti and Shahini (2012) identified some of the key challenges for transition reforms in Albania, including, weak institutional and law enforcement capacity, shortcomings in laws, inadequate infrastructure, and significant poverty levels as compared to other European countries. However, in the last decade Albania has shown consistent development through reforms focused on privatization, liberalization, and improvement in law enforcement. According to Tahiti and Shahini (2010), Albania has maintained macroeconomic stability in the last decade supported by steady growth rate and relatively low inflation rate as compared to other transition economies in Eastern Europe. Albania's transition is also impacted by significant levels of corruption. The private sector accounts for more than 80% of GDP with SMEs comprising more than 95% of Albanian business (Xheneti & Bartlett, 2012).
2.3 SMEs in Transition Economies

The quantitative standards used by European Union to define medium-sized enterprises include workforce of 50-249 employees, turnover (revenues) of under 50 million euro, and total assets under 43 million euros (Ciambotti, Demartini, & Palazzi, 2012). Small- and medium-sized enterprises form over 99 percent of all enterprises in European Union (Mateev & Anastasov, 2010). Ciambotti et al. (2012) also state that medium-sized businesses are increasingly acquiring more importance in European context as compared to small and large-sized enterprises. According to Kruja (2013), SMEs are the main source of employment generation, innovation, productivity, and growth in transition economies, such as Albania. Medium-sized enterprises not only promote employment opportunities in transition economies but are also essential in promoting economic growth, especially in the current context of global economic crisis and economic slowdown in Europe. Medium-sized enterprises are also identified as a major source of innovation (Edvardsson, 2006).

Medium-sized enterprises can deal with economic uncertainty in a much better way as compared to large enterprises because of the differences in environment, structure, and decision-making process that allows medium-sized enterprises to deal flexibly and reorient quickly in such situations (Mateev & Anastasov, 2010). SMEs are a key source of employment generation in transition economies, such as Albania because of their size and adaptability and also constitute a significant portion of private businesses (Tahiti & Shahini, 2012). Kruja (2013) identified the key weaknesses in the SME sector in transition economies, such as Albania, including limited access to finance, lack of skilled and qualified manpower, and absence of economies of scale. The flat and free-floating structure of medium-sized firms encourages entrepreneurship and innovation (Edvardsson, 2006). Small- and medium-sized enterprises are also plagued by high failure rate with failure rates being six times higher as compared to larger enterprises (Ciambotti et al., 2012).

2.4 Benefits of Knowledge Sharing to SMEs

Knowledge is comprised of two components: tacit and explicit knowledge (Polanyi, 1966). Several frameworks described the interrelationship between these components, including Nonaka and Takeuchi (1995) in their Socialization-Externalization-Combination-Internalization (SECI) model and Deng-Neng, Ting-Peng, and Binshan (2010) in their Distribution-Interaction-Competition-Evolution (DICE) model. Rivera-Vazquez, Ortiz-Fournier, and Flores (2009) define knowledge sharing as the process of mutually exchanging tacit and explicit knowledge with the intention of creating new knowledge. Knowledge sharing and management can have several benefits for medium-sized enterprises, including improved human resources, direct market effects, and optimal use of intellectual capital of the firms (Edvardsson, 2006). Knowledge sharing can also assist SMEs in developing a sustainable competitive advantage by enhancing innovation and productivity in the firms (Vajjhala & Rojba, 2012). Knowledge sharing and transfer allows development of close collaborative relationships which can provide access to new knowledge that could be applied in different contexts.

2.5 Barriers to Knowledge Sharing

Several studies have identified cultural barriers as one of the key factors influencing the successful implementation of knowledge sharing activities in a firm (Rivera-Vazquez et al., 2009). Rivera-Vazquez et al. (2009) classify cultural barriers into two levels, namely, barriers at macro-level based on Hofstede's national cultural dimensions, and barriers at micro-level related to organizational culture as shaped by the national culture of employees working in the organization. Several studies have been conducted in the past to identify the key characteristics and attributes of national cultures. The most popularly cited studies include the works of Hofstede (1984), Trompenaars and Woolliams (2003), and the GLOBE study (Ghosh, 2011; Javidan, Dorfman, De Luque, & House, 2006). Hofstede (1984) in his study had identified four values that distinguished countries from each other, namely, power distance, individualism versus collectivism, masculinity versus femininity, and uncertainty avoidance.

Later Hofstede added other dimensions, namely, long-term orientation and indulgence versus restraint (Hofstede, 1991; Strang, 2009). In the context of the conditions typical to transition economies, the influence of social factors such as level of trust among employees and feeling of insecurity could influence the motivations for and interest in knowledge sharing in SMEs. For instance, after four decades of harsh communism in countries, such as Albania, the cultural fabric is influenced by fear and lack of trust in sharing knowledge openly with other members of the society. Trust is a key factor influencing the successful implementation of knowledge sharing activities in a firm (Casimir, Lee, & Loon, 2012; Farris, Senner, & Butterfield, 1973; McNeish & Mann, 2010).
Hence, lack of trust is a significant barrier to knowledge sharing in firms. Zawawi et al. (2011) in their study of barrier factors influencing knowledge sharing in public organizations classify the barrier factors into three categories, namely, individual factors, technological factors, and organizational factors. Individual barriers are factors related to the internal being of the individual, such as beliefs and perceptions (Zawawi et al., 2011). These could be linked directly or indirectly to external factors, such as the influence of national culture on the perceptions and beliefs of the individual. Organizational factors include the influence of the organizational culture, lack of proper integration between knowledge management activities and long-term goals as well as objectives of the company, lack of proper leadership, and lack of appropriate rewards in the organization (Zawawi et al., 2011). Technical factors include the unavailability of the required technological resources, including software and hardware to assist in implementation of knowledge management activities (Zawawi et al., 2011).

Avdimitios et al. (2012) classified the factors contributing to knowledge stickiness or lack of knowledge sharing into two categories, namely, psychological factors, and organizational structural factors. The psychological factors included trust, willingness to communicate, and reliability of source. The organizational structural factors included motivation, structure, and organizational leadership.

Edvardsson (2006) identified the treatment of knowledge sharing and management at an operational level rather than at a strategic level as one of the key barriers for implementation of knowledge sharing and management at medium-sized enterprises. Mateev and Anastasov (2010) suggest that a key reason for low usage of information systems in medium-sized enterprises is competitiveness because these firms are driven primarily by customer needs and high market uncertainty. As a result medium-sized firms tend to hesitate in the use of knowledge sharing and management systems which are likely to deliver results in the long-term rather than in the short-term. According to Edvardsson (2006), medium-sized firms focus on short-term unstructured ways towards knowledge sharing as compared to strategic learning and knowledge orientation. Edvardsson (2006) further emphasizes that firms can create value from the implementation of knowledge management activities only if they are implemented at a strategic level encompassing all aspects of the firm.

3. Materials and Methods

A survey consisting of 20 questions was distributed among 118 participants from 20 medium-sized enterprises in Albania. Micro-sized and small-sized firms were not chosen for this study because they have small number of employees and formal knowledge sharing programs may not be necessary. Medium-sized firms with a larger number of employees (50-250 employees) make an ideal population for this study. Most of these medium-sized enterprises were chosen from the four dominant categories representing the economic activity in Albania, namely, construction, tourism, information and communication technology, and food processing (Vajjhala & Rojba, 2012). The remaining firms were chosen from other sectors. The details of percentage of medium-sized enterprises representing different industrial sectors of economic activity representing the sample of 20 medium-sized enterprises are provided in Table 1.

Fig. 1 provides the distribution of participants from different sectors of economic activity as represented in the total sample size of 118 employees. All the respondents are of Albanian nationality and could understand as well as speak English. The surveys were written in English and distributed electronically to the respondents. Stratified probabilistic sampling technique was used to select the sample from the population. In probabilistic sampling methods every member of the defined population has a known and non-zero chance of being included in the sample (Baker, 2002). Proportionate stratified sampling technique was chosen in this case by ensuring that the amount of sample drawn from each stratum is proportionate to the stratum's share in the total population (Baker, 2002). For this reason the key sectors representing different medium-sized enterprises were chosen and used as criteria for reflecting variability within the strata. The key sectors identified include construction, tourism, information and communication technology, and food processing (Vajjhala & Rojba, 2012). According to Vajjhala and Rojba (2012) who stated the statistics from European Commission and the Albanian Institute of Statistics, there are 432 registered medium-sized enterprises in Albania. The sample size of 150 participants is based on an 8% margin of error with a confidence level of 85%, and a response distribution of 78.5%.

The survey was distributed to 150 mid-level and senior managers in 20 medium-sized enterprises, of which 118 participants responded (a response rate of 78.66%). The survey was distributed to participants by ensuring that demographic variability in the context of gender, work experience, and age was maintained. Table 2 shows the demographic information of the respondents.
Variability is also essential for evaluation of potential differences in perceptions among participants representing diverse demographics. The variability is also essential to evaluate the difference in perceptions, if any, between participants representing varying demographics. The respondents were also provided with a set of definitions explaining various terms, such as knowledge sharing, knowledge management, culture etc.

4. Results and Discussion

The status of knowledge management activities in the firms was determined from the human resources manager of the firms directly. This was done to ensure that accurate answers were obtained about the status because some of the employees had different degrees of experience which might have influenced their awareness of the existence of the activities in their firms. The status of the knowledge management activities were found to be at different stages of implementation as shown in Fig. 2. Although the participants were also posed the question about status of KM activities at their firms, their answers are not reflected in Fig. 2. The answers of the participants were matched with those of the human resource executives and a high degree of similarity was observed indicating that all the participants had awareness of the existence of the knowledge management activities in the firms.

As shown in Fig. 2, the majority of the medium-sized enterprises surveyed (45%) had started the implementation of knowledge management activities in the firms in the past one year. This is an indication of the increasing awareness of the advantages of knowledge sharing and knowledge management over the last few years. However, a few firms (5%) indicated that they had suspended knowledge management activities after their inception because of the lack of resources, including human, technological, and financial. A few firms (5%) also indicated an active interest in starting the knowledge management programs although they had already some formal mechanisms of knowledge transfer in place, but most of these mechanisms dealt in particular with explicit knowledge sharing rather than tacit knowledge sharing. The positive aspect of this finding is that the firms did not express any disinterest in starting knowledge management programs. Although some of the firms did not have any knowledge management programs at the current point of time, the organizational leadership of the firms expressed an interest in starting knowledge management programs in the firms in the near future.

15% of the firms surveyed indicated that they had not yet implemented the knowledge management programs in the firm but the activities were at planning phase and anticipated the implementation of these programs over the next few months. 20% of the firms indicated that knowledge management programs and activities were in active implementation and were in place at different points of time in the last five years. Only 10% of the firms surveyed indicated that knowledge management activities were in place for over 5 years. This is an important observation in the context of Albania because it has been only just over two decades since the economic and political transition began in Albania. The first ten years of the transition were quite turbulent, so the fact that these firms have continued implementation of the knowledge management activities over the last decade is quite encouraging for organizational leaders of other medium-sized firms in Albania.

The remaining questions in the survey were designed to identify the key barriers to knowledge sharing in medium-sized firms in Albania. A majority of the respondents (38.98%) identified cultural issues as the most important barrier to knowledge sharing in their firms. This finding is significant because even though some of the other studies had indicated cultural issues as one of the possible barrier factors, none of the studies had identified culture as the most significant factor. This could be indicative of the social and cultural circumstances typical to transition economies.

The second major barrier to knowledge sharing in firms was identified as motivational issues. The employees emphasized on lack of support from top management and lack of recognition for actively participating in knowledge sharing activities as a major inhibitor. The third and fourth barrier factors were identified as lack of human resources (13.56%) and lack of technological resources (12%) respectively. This finding was anticipated and as pointed out earlier in the literature, medium-sized firms often face resource crunch in human, financial, and technological resources. This finding is also supported by other studies carried out in several developing and developed countries and is not typical only to transition economies.

Another significant finding is that only 7.63% of the respondents identified lack of monetary incentives and benefits as an inhibiting factor for participating in knowledge sharing activities in firms. This demonstrates that monetary incentives alone need not motivate employees, but other forms of non-monetary incentives could be considered by organizational leaders intending to begin knowledge management programs in their firms.
5. Conclusion

The barriers faced by small- and medium-sized firms in transition economies are different from the barriers identified in other developing and developed countries. Cultural issues, especially, national culture plays an important role in knowledge sharing in firms. Transition economies have unique social and cultural conditions, partly influenced by decades of harsh an repressive communism. Some of the transition economies with the harshest and repressive regimes face issues such as lack of trust that have significantly influenced the cultural fabric of the society in these transition economies. The organizational leadership in SMEs needs to facilitate the creation of an organizational culture immune from the influence of social factors such as lack of trust and insecurity.

SMEs also need to focus on motivational issues and identify non-monetary mechanisms to motivate employees to actively participate in knowledge sharing activities in the firms. SMEs often face resource shortage, especially in human resources and technological resources. The organizational leadership of SMEs in transition economies can overcome the lack of resources by investing in its intellectual capital and recognizing the efforts of employees participating in knowledge sharing to foster the creation of an organizational culture that will promote the spirit of knowledge sharing in the firms.

Although this study covered the major sectors of economic activity for medium-sized enterprises, some of the sectors were not represented. This study also covers only one transition economy and as demonstrated in the findings of the study, cultural issues are one of the most important barriers. Future studies need to investigate the individual factors representing the national culture and also investigate the influence, if any, of national culture on the organizational culture. Future studies could also investigate the extent of influence of national and organizational cultures on knowledge sharing in small- and medium-sized enterprises. A cultural profile of various transition economies needs to be prepared to better understand the influence of national culture on knowledge sharing activities. Future studies could also explore if any alternative approaches to knowledge sharing could be applied to address the barriers identified in this study. Future studies could also explore the solutions, if any, to address the barriers to knowledge sharing identified in this study.

<table>
<thead>
<tr>
<th>Sector of Economic Activity</th>
<th>Representation - Number of Firms (%)</th>
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</thead>
<tbody>
<tr>
<td>Construction</td>
<td>30%</td>
</tr>
<tr>
<td>Tourism</td>
<td>20%</td>
</tr>
<tr>
<td>Information and Communication Technology</td>
<td>15%</td>
</tr>
<tr>
<td>Food Processing</td>
<td>20%</td>
</tr>
<tr>
<td>Other</td>
<td>15%</td>
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Source: From Collected Surveys

<table>
<thead>
<tr>
<th>Category</th>
<th>Criteria</th>
<th>Representation of Respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td>58.47%</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>58.47%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>41.53%</td>
</tr>
<tr>
<td>Age</td>
<td>20-30 years</td>
<td>33.05%</td>
</tr>
<tr>
<td></td>
<td>30-40 years</td>
<td>38.13%</td>
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<tr>
<td></td>
<td>40-50 years</td>
<td>14.40%</td>
</tr>
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<td></td>
<td>&gt;50 years</td>
<td>14.42%</td>
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<tr>
<td>Experience</td>
<td>1-5 years</td>
<td>24.57%</td>
</tr>
<tr>
<td></td>
<td>5-10 years</td>
<td>47.45%</td>
</tr>
<tr>
<td></td>
<td>&gt;10 years</td>
<td>27.98%</td>
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Figure 1: Economic activity of participating firms.

Figure 2: Status of knowledge management programs in medium-sized enterprises.
Figure 3: Identified barriers to knowledge sharing in SMEs in Albania.

References


