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4. INFORMATION SHARING IN EMERGING ECONOMIES

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Abstract
The purpose of this paper is to present research in progress concerning barriers to sharing information in Small and Medium sized Enterprises (SME’s). The work will examine the barriers to sharing in the newly emerging economies of Poland and Hungary with the relatively established economy of the UK. The results of the study will be used to form a model of “best practice” for SME’s who are setting up or using Knowledge Management (KM) systems. Pilot work carried out in Poland in 2007 is also reported.

1. Introduction
The development of sustainable knowledge management in small firms in Europe is critically important to the economy both of the individual country and for the European Union as a whole. The push towards the best competitive economy and the need to be seen as an entrepreneurial country increased the importance of managing information to managing knowledge and sustaining the development of that knowledge.

The question of whether post communist countries will take up the idea of “westernized” Knowledge Management (KM) is open to debate. There are of course alternatives to this and Central Eastern European countries may well evolve to produce their own particular style of KM. It is interesting to consider the different perspectives which are taken when sharing information is a new factor as new models and frameworks can then be devised to incorporate the potential impact on organizational culture.

The purpose of this paper is to present research in progress concerning barriers to sharing information in Small and Medium sized Enterprises (SME’s) and to form a comparative study. The work will examine the barriers to sharing in the emerging economies of Poland and Hungary with the relatively established economy of the UK. The results of the study will be used to form a model of “best practice” for SME’s who are setting up or using Knowledge Management (KM) systems. Results of an initial pilot project are also reported.

The paper is arranged as follows. First, there is a discussion of suitable definitions of SME’s and of Knowledge Management; second there is an exploration of the business relationship between Knowledge Management and SME’s; third, a consideration of aspects of information sharing and a presentation of barriers to sharing in emerging economies. Finally, empirical results are reported of the Polish pilot study which examined the relationship between Knowledge Management and Polish SME’s. The paper concludes with thoughts as to the way forward and asks the questions about the development of new sustainable models of Knowledge Management.

2. Definitions
In order to understand and communicate the research it is important that we define the two key terms of “SME” and “Knowledge Management”.

According to EU classifications SME’s can defined in three ways: the small enterprise, from sole trader to less than 10 employees, a medium sized enterprise, from 10-50 employees and 50 – 250 employees which is classified as large. For this study a decision was made to look at medium sized enterprises (10 – 50) as this will be a manageable size, is likely to allow reasonable comparisons between countries and likely to be the target size for those that are using some form of information sharing systems.

There is no one formal accepted definition of KM but all definitions are concerned with information, management and some kind of system. The ones that are often quoted as the defining definitions are:-

Prusak and Cohen (1997) state that “KM is the attempt to recognise what is essentially a human asset buried in the minds of individual, and leverage it into an organisational asset that can be accessed and used by a broader set of individuals on whose decisions the firm depends”.

Davenport and Prusak (2000)”Any organisation that wants to excel at managing knowledge will need to do 3 KM processes well i.e. generation, codification and transfer of knowledge.”

Brown and Duguid (2000) “Knowledge Management is the process through which organisations generate value from their intellectual and knowledge based assets. KM is the broad process of locating, organising, transferring and using the information and expertise within an organisation. The overall KM process is supported by four key enablers: leadership, culture, technology and measurement.”

The definition by Prusak and Cohen is the one which has been chosen as for the purpose of this research as KM needs to be viewed in its broadest sense. This definition by Prusak and Cohen encompasses all the other definitions, and seems to be the most useful for this work.

3. Knowledge Management and SME’s.
Considerable work has been published regarding the business relationship between SME’s and KM s (McAdam and Reid, 2001; Sternberg, 1999; Frey S.R. 2002., Rasheed 2004); the strategy, systems and culture of SME’s and the rise of e- business and adoption of KM systems in SME’s. (Lim and Kloblas, 2000; Koh and Maguire, S).

To date only a handful of work has been done on the adoption of KM systems and European or International SME’s (Ataoguz 2005; Dalley, J and Hamilton, 2007, Kailer and Scheff, M, 1999; Nyhan, and Attwell, 2000.) What is lacking in the literature is a direct comparative study between the SME sector in the former Communist bloc and SME’s in the UK (or in Western European countries), in terms of how they are dealing with knowledge mismanagement processes, in particular the barriers to sharing at the current time. This research will fill that gap. There has been initial pilot work undertaken in Poland (Burke 2007) which generated interest in the area.

In the UK, SME’s make up a high percentage of successful business ventures. This is recognised by the Government who have put various mechanisms in place in order to assist SME’s and to ensure that they create and maintain a competitive edge for the UK economy.
As many SME’s have static income and rising expenditure there is an increasing need to make SME’s more efficient. One way of increasing efficiency is to gain as much advantage as possible with what is already available both internally within the organisation and externally outside the organisation. One commodity, which is always available, is information. In particular information, this is translated into knowledge. The effective use of the knowledge – and the way in which it is managed can be critical to the success of an organisation. The key issues are about sharing information, about having the technology to deliver the information and having the processes in place, which will both allow and encourage the free flow of information. If a KM system fails, then the information is not available to make good decisions, the SME will lose its competitive edge, profits will fall and eventually the business will either be merged with a stronger competition or cease to exist altogether.

The UK SME sector has been quite successful and has had the opportunity to develop both information systems and a culture which encourages the sharing of information. However, the success of otherwise of this has not been investigated and this project will allow that investigation to take place.

The Hungarian SME sector has also had help and assistance through government guidance and legislation. For example, it was recently reported that that

“Hungarian small and medium-sized enterprise sector has by now become very similar to SME sectors of less developed old EU member states and newly acceded Countries. Small size enterprises are abundant in the economy and have received help and assistance in the form of grants and a reform of the legal framework.”

Hungarian Ministry of Economy and Transport (2007)

This research was carried out on behalf of the Ministry was carried out in all regions of Hungary as SME’s are considered to be a key instrument to strengthening the Hungarian economy. By exploring the impact of Knowledge Management systems on SME’s across a sample of sectors, it is likely that the work towards a ‘best practice model’ would be relevant to all types of SME’s, thus assisting the Hungarian economy.

SME face a similar situation in Poland as

“new challenges regarding competitiveness of Polish business sector, posed by the process of accession to the European Union structures, had a significant influence on the quality and culture of doing business in Poland. SME’s, which often strive for survival on the market (mainly due to their low competitiveness), are usually not interested in investments, which do not bring immediate effects “. SME Report Poland, (2007).

One way of bringing a change, which is quickly visible, is by paying attention to the information aspects of the business by managing the knowledge as this directly affects both customers and competitors.

However, the problems faced by SME’s that are operating in emerging economies are that freedom of access to both information and technology is relatively recent, and there has been a culture of non-sharing and mistrust of information. Many SME’s have no formal KM systems due to limited resources and a limited knowledge of implementation of KM and similarly the advantages of using KM. The project will consider one established economy in
the UK with two new emerging economies and will add to the understanding of the barriers to sharing information in KM systems and how this impacts on an SME. The results will be used to create a framework of “best practice” of KM systems in the SME sector.

4. Information Sharing.
One of the new factors in Central European countries (and there is an acknowledgement that this aspect is inherent in other countries too) is this concept of freely sharing information i.e. the concept of what is known is KM literature of ‘Knowledge Sharing’. Sharing only takes place where there is trust and where there is a shared feeling of goal ownership. The reasons behind the tendency to share are based on the kind of interpersonal relations between co-workers inherent within the organisation and the effects of social relationships on organisational teams. Strengthening the social relationships between individuals in the team is crucial in motivating team members to share knowledge.

Accurate information is one of the critical success factors in business. It is of course not simply about accurate information but also about a willingness to share information within the internal environment of the organisation and to a lesser extent with the external environment of the organisation. This sharing is the core of what becomes knowledge sharing in the organisation and is where true knowledge management originates.

However, all organisations also operate within their external environment i.e. society. An analysis of types of society may be helpful as it allows us to consider the aspect of sharing information and the management of knowledge from quite different perspectives. For example, Perrill’s (2007) work was concerned with the two concepts of societies which display characteristics associated with individualism and collectivism. These types of societies are important and means of charting differences in the concept of sharing (Chen et al 2001; Hofstede and Hofstede, 2005). Yet all the relatively newly “free” Eastern European societies have in common a sense of uncertainty about the future and it is this aspect which we will comment on next.

Uncertainty can be viewed from two areas, that of “relational uncertainty” (according to Berger, 1975) where it is difficult for employees to predict the beliefs and behaviour of colleagues and the that of “informational uncertainty” where the accuracy of the actual information is called into question - as addressed in the information seeking literature (Burke, 2003, 2006, 2007; Choo 2001; Kuhlthau, 1993; Davenport and Prusak; 2000). Both these areas are concerned with fear and trepidation experienced by organisational members about levels of accuracy, quantity of information - if there is sufficient knowledge to make quality decisions and issues about trusting the source of the information.

Three related factors impact on the ability and desire to share information which inevitably affects views and use of knowledge management. These are the type of society in which the organisation operates, the levels of uncertainty prevalent within that society and the types of interpersonal relations in the organisation.

5. Emerging Economies: Barriers to Sharing: Case studies
Whether post communist countries should or could take up the ideas of westernised forms of Knowledge Management is yet open to debate. This research is novel in approach as it will
take place in three countries and will provide a comparative study of one relatively stable economy with two newly emerging economies. The countries chosen for the study are Poland, Hungary and the UK. The reasons for choosing Poland and Hungary are that they are fast developing former East European bloc countries. The UK has been chosen as an exemplar of good practice. Each country has European Union membership and has an increasing number of new businesses, many of which are initially formed as small and medium sized enterprises. As the European Union aims to become the most dynamic and competitive economic force in the world, SME’s are a particular challenge for the European economy in that they represent one of the keystones of future commercial success and so have the power to greatly enhance the economy. Growth from SME’s is often the founding for great multinational companies. Protecting and enhancing the SME’s is therefore very much in the interest of the economy of the countries. One city in each of the countries will be chosen as the primary field site. These are Krakow, Budapest and London.

This work will build on these premises and will investigate the barriers to one of the key knowledge management processes – that of sharing information and trusting the source of the information. This process has been chosen as the one for this study as it is considered the most important in terms of allowing employees to work in unison. When this process works, members should be able to work in harmony and this should encourage and allow relevant knowledge to reach the right people at the right time, in order to allow good quality decision making, which helps to make the business successful and thus helps the stability of the economy of the country.

An initial pilot study was completed in Spring 2007 and the results from this study are reported in the following section.

6. The exploration of Knowledge Management in Poland: an empirical study.

The aim of the pilot study was to explore Knowledge Management in Small and Medium Sized Enterprises in Krakow and surrounding regions in Poland. The research was a joint venture between the Institute of Information Science at the Jagiellonian University and the Information Systems Institute of the University of Salford.

In order to achieve the aim, three objectives were set. The first objective was to investigate how far SME’s have been able to implement KM strategies into their everyday practice; second to highlight any need for training and third to highlight business performance. There was also an overarching objective to investigate the performance of a general nature after Poland became a member of the EU.

There was considerable support for the project as both the importance of SME’s in the new economy and the skills of knowledge managers had been highlighted by various relevant bodies. For example, the following is taken from the “Country Assistance Strategy Document prepared for Poland by the World Bank in 2002:

“Support for SME Development”

“The importance of small and medium enterprises (SME’s) for the Polish economy has been steadily growing – their contributions to GDP, to exports and to employment have all
increased markedly since transition began. Besides the need to ensure a macro environment that is conducive to business development and structural reforms and to continue the move towards a market economy, it is important to alleviate microeconomic and institutional constraints that discriminate against small firms and reduce their growth and competitiveness. In financial markets, improving access to credits requires an increase in the number of financial institutions that find lending to SME’s to be profitable, and therefore sustainable. Government intervention should be aimed at strengthening laws governing the enforcement of contracts, forfeiture and collateral. While the government’s current restructuring programme gives prominence to SME’s support, lasting gains will only follow from an initiative to improve the business environment more generally. “

With the unprecedented pace of modern technological development, ensuring an environment which promotes the appropriate development and adoption of new technologies is more important than ever before. This is an issue with many facets, for example, the development of appropriate education and training; access to information and the level of competition in the telecomm sector and incentive for technical change.

There is a strong case for the government to work in close consultation with the business and academic communities to develop, adopt, disseminate and implement a comprehensive knowledge management strategy.”

Since 2002, there have of course been many changes for Poland including the membership of the EU, and other bodies have taken a keen interest in the economical transition of Poland as evidenced by the following quote from Department for International Development (DFID)

“UK assistance to Poland started with an offer of a grant of £25 over 5 years made in June 1989 by the UK Prime Minister to the President of Poland. This event formed the birth of the UK’s Know How Fund (KHF), which was subsequently extended to other transition countries in Central and Eastern Europe. Since 1989, the UK has funded a wide variety of projects to assist in Poland’s transition to a democratic market economy. The total cost of these projects is estimated at a little under £150m (including projects managed by the KHF and DFID, but funded out of the Polish Stabilization Fund).

KHF was transferred to DFID in 1997, the programmes scaled down and the focus for new projects shifted towards assistance for disadvantaged communities. In March 2003 UK assistance to Poland and to most other transition countries that have opened negotiations with the EC is to end”.

(Department for International Development (DFID) Report on UK Assistance for Poland’s transition 20003-2006)

This will leave Poland to manage its own economy and business and to deal with knowledge management alone. Consequently, it was important to clearly identify the project beneficiaries which were first, the SME’s in Krakow and surrounding rural areas; second the Polish Government who will gain information on performance in this area and third the UK Universities who would provide any identified training needs
7. Polish Results (Pilot)

Company owners and staff were asked various questions regarding views on the use of KM within their own organization. The results were qualitative as the data collected by interview. The major variables which affect their use of KM were identified as:

- Strong intuition of managers needed (5)
- Web is good (6)
- Local sources poor and not always available (11)
- Competition strong (12)
- Profit orientated (15)
- Harnessing intellectual capital (7)
- Keep abreast of current affairs (8)
- Too much information hinders (4)
- Age / Experiences of staff affect barriers to sharing (3)
- Some business very niche – difficult to get information (2)
- Confidentiality issues (17)
- Some markets unstable and undeveloped therefore even more difficult to get information (18)
- Range of knowledge is important (19)
- Commercial software in use. (20)

(The number is the bracket is the total number of times similar comments were made)

This list is not exhaustive but gives an example of the nature of the comments. Most companies were keen on KM and did attempt to use some kind of system. However, the most frequently occurring comment was the need for reliable technology for KM systems. In order for this to happen Poland’s technological infrastructure needs to be improved.

8. Conclusion

This paper aimed to present research in progress concerning information sharing in emerging economies, to explore new perspectives and to present the results of one country study. Types of societies and aspects of uncertainly both in society and in organizations are briefly discussed. The results of a Polish study are presented and interesting results are displayed. The intended impact of the Polish Project was to provide a sustainable method of assessing the effectiveness of Knowledge Management at regular intervals; to create a better understanding of the local situation; to provide training if appropriate and to leave a legacy of a stronger two-way partnership with local business and the local partner, the Jagiellonian University. It is considered that the work did influence in these ways but that there is more work to be done. Finally, it is expected that this project will be extended to other regions and to other countries new to the EU.

One of the distinctive features of this research is the tri ethnicity of the study which will collect data from three EU countries. This will form an international data set which will be useful for others SME’s and form the basis for later work in this area. It is interesting to consider the different perspectives which are taken when sharing information is a new factor. New models and frameworks need to be devised in order to incorporate changed societal and organizational culture. Perhaps by encouraging information sharing the newly emerging economies will form the future modules of successful knowledge systems.
References


