The Need for Managerial Awareness of Influences in Emerging Economies

Completed Research Paper

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Abstract

Companies regularly rush to emerging markets due to the high potential for growth. However, these markets may be impacted by a multitude of factors. Managers need to be aware of global entanglements as well as influences from other markets; and perhaps more importantly - how to identify and solve these possible problems. There currently exists a void in research of perpetually available decision-relevant knowledge for managers in globally distributed environments. The need for a new method, which aims to address this deficiency, will be empirically demonstrated in this paper. Thus, the main question is: against the background of networking and ingress into emerging economies, which factors have an impact on global business collaboration and what are the managerial transparency needs? This paper analyzes awareness from management perspectives and endeavors to illustrate that political, legal, cultural and social factors all have a great impact on collaboration. Ideally, managers want to recognize these influences as early as possible and receive relevant information and acknowledge leaked information as quickly as possible.

Keywords: Emerging Markets, Awareness, Strategic Management, Critical Knowledge, KMDL

Introduction

The ubiquitous nature of competition in Western markets is not only applicable in the higher echelons of business but also to the spheres of middle to smaller sized companies. Elite corporations such as Siemens, Telekom and Audi have widely demonstrated their assertion that they are the major players in their respective industries. In addition, these markets move globally, for example, Vietnam and other South-Eastern Asian countries are now considered the new China. The new rising successor countries provide the ideal ground for monopolizing global markets thanks to low government regulation, the possibility for corruption and low overhead costs of doing business. At the moment, current literature aims to assess the global conditions which uncover conditions that can lead to corruption, legal security, political stability, etc. Data and information are partly prepared for the public. Investigating the most recent literature, which is dedicated to modern global managers, one will note that these deal with emerging market locations in terms of market attractiveness. Still other management literature deals with transparency of companies. It can be defined externally as their reputation, in other words, how the company presents itself to the public and how it operates globally (corruption, working conditions, investment). In the present investigation, we aim to greatly improve the gap for managers to better understand transparency and influences in the current global business climate.

Only those who consciously perceive influences, changing legal frameworks and informal structures can accurately utilize this knowledge into a competitive advantage. In China for example, knowledge of infrastructure hierarchies is necessary when one is collaborating with political officials. It is important to recognize that many former officials that occupy political posts want to make up the time in the course of capitalization - which they have not had in recent years. On the other hand, Brazil, for example, institutes extremely strict customs regulations. Institutional theory emphasizes the influences of the systems.
surrounding organizations affecting the organizations’ processes and decision making (Hoskisson, Eden, Lau and Wright 2000). Business in the global space will be undoubtedly be influenced by such factors. These factors have been investigated and classified by various authors (Balderjahn 2000; David 2010; Hummel 1997; Pallot, Bergmann, Kühnle, Pawar and Riedel 2010a; Pallot, Martínez-Carreras and Prinz 2010b; Patel, Pettitt and Wilson 2012). The approaches to a classification of these factors are complementary and often substitutive to each other. These contributing factors will incidentally be summarized in the upcoming section.

Emerging economies are defined as countries or regions that are moving from developing to a developed status (Kowal and Roztocki 2012, 2013). Enterprises can change their environments by developing strategic responses to these influences instead of passively adapting and losing competitive advantages (Hoskisson et al. 2000). From an empirical perspective, the need for awareness for global decision-makers can be determined by comparing the importance of factors, which have an impact on the business of corporations, with the actual managerial perception of global events and influences. Here, “Managerial Awareness” refers to global management and eliminates space and time boundaries that exist in local business. The term awareness means transparency for managers on “what happens around them” and simultaneously enhancing their capacity for control by providing them immediate access to information and relevant knowledge for making important decisions. In short, transparency is considered as an association to the receiver (i.e. managers benefitting from a high level of transparency in the workplace).

**Background and Hypothesis**

As mentioned in the introduction, business is affected by a myriad of outside complexities and influences. The following eight factors can be distilled from the approaches of the aforementioned sources of authors who have each investigated the following factors:

- **Economy:** market size, growth and economic competition
- **Technical infrastructure:** logistics and communication networks, information systems
- **Law:** intellectual property, taxes, subsidies and administrative experiences
- **Politics:** role and influence of economic operators, relationship between the individual and the government
- **Social structures:** relationship between people, class differences, social institutions (Kowal and Panka 2008)
- **Culture:** language, religion, values, rules, styles of communication and leadership
- **Geography:** time zone, climate, topography and resources
- **Demographics:** urbanization, migration, educational level and qualification (Kowal 2011)

Almost all of the above-listed factors have a moderate to strong influence on global business (Balderjahn 2000; David 2010; Hummel 1997; Pallot et al. 2010a; Pallot et al. 2010b; Patel et al. 2012). The exceptions are the factors of geographical distribution, time-zone differences, emotional behavior and platform diversity. Their impact is assessed as predominantly low. Political, social and cultural factors such as leadership, commitment, motivation and mutual trust have a significant impact on cooperation as well as technical and legal factors (particularly the different handling of intellectual property).

Managers need permanent decision-relevant knowledge about the progress of business, their related collaborative processes and the conditions of their execution environment. A simple example is the international delivery processes: depending on where the delivery is currently being processed, the item will be subject to the specific laws of the country. The same applies to the data within a worldwide extending IT infrastructure. Less trivial is the perception of information and knowledge flows that occur in or between globally distributed organizations. The cultural factor has a very high impact on knowledge. In Japan, for example, examining cultural barriers have a negative impact on knowledge flows that cross organizational and even group boundaries (Mehri 2006). Political and legal influences occur particularly in emerging economies. This include political influences on Government-owned Banks, where politicians can use them to further their own political goals as well as to reward their allies and punish their opponents (Ding 2005). Political factors can lead to events such as encompass blocked funds, repatriation constraints in the form of exchange controls, expropriation or nationalization of property, inconvertibility of currency, limits on remittances, government interferences with contractual terms, discriminatory taxation, politically-based regulations on operations and the loss of copyright protection (Bilson,
Managerial Awareness of Influences in Emerging Economies

Brailsford and Hooper (2002). When multinational enterprises (MNEs) from developed economies surfaced into emerging economies, an intensive discussion began concerning these new markets and the principles of Transaction Costs Theory (TCT) have become increasingly important (Wright, Hoskisson and Peng 2005). Domestic firms competing within emerging economies face a high velocity environment of rapid political, economic, and institutional changes that are accompanied by relatively underdeveloped factor and product markets (Wright et al. 2005). Such environmental uncertainties form an economic factor, which managers need to be increasingly aware of to make correct judgments in the global economy. Typical examples are the labor and the capital market. The former depends on the factor demographics and the latter on legal and political factors.

In this empirical study of these factors, managers offer a deep insight into the issue of transparency in the global corporate practice. Soft factors that are strongly dependent on location create the greatest challenges. Only through informal channels and personal contacts, managers can perceive influences and optimal response strategy options early. Managers can benefit from critical decision-relevant information as well as the reaction strategies experts derive from their experiences and advanced epistemological knowledge.

According to the resource-based theory (RBT) and its variant, the knowledge-based view, strategic decisions of local firms are shaped by the cognitive capabilities of their managers (Wright et al. 2005). Currently, a second aspect comes into play – knowledge itself as crucial resource. The profound work of (Gronau 2012) on knowledge management demonstrates that knowledge is bound to persons and that delicate information as well as knowledge through experience are exchanged through informal communication. The scope and success of strategic actions are determined not only by cognitive capabilities of managers, but also on the available knowledge to them that is categorized as decision-relevant (Sultanow 2013; Sultanow and Brockmann 2013). The purpose of this paper is to bridge the gap between the importance and perception of these factors. Our hypothesis that managers in decision-making roles can benefit from increased awareness is aligned and compatible with our research question; namely, which factors of awareness are most commonly misunderstood.

It is appropriate at this point to mention what exactly the present manuscript is not dealing with. The authors do not intend to investigate a correlation between the factors, nor are the approaches presented for responding to perceived influences. Rather, our current investigation illuminates which factors are particularly important; however, merely assessing their managerial awareness is insufficient. Therefore, the focus is on the question of how large the gap between importance and perception is and not how to close this gap. Finally, the fact that knowledge is bound to persons will be proven as a characteristic of knowledge that is very difficult to handle by large enterprises and MNEs.

Figure 1 outlines our research question. We acknowledge the factors, which affect business in emerging economies. If global decision makers are able to perceive these factors, they may better direct their business(es) by intervention and/or counteracting.

Figure 1: Definition and Delimitation of the Research Question
Empirical Research Design

The perception of the factors and of their impact on geographically distributed businesses in emerging economies forms the motivational basis for the present empirical study on increasing demand for managerial transparency creation. This demand has been empirically determined using a hybrid approach. First, an online survey on perceptions of factors has been launched. Secondly, expert interviews were conducted (Figure 2).

Since perception objects in globally distributed business environments are determined by the above-mentioned eight factors, the problem area is well formalized and can be accessed in a standardized way, which speaks for the use of standard surveys. The expert interviews lead to an open concept without the questionnaire allowing too high of a level of freedom. This openness presents a principle of qualitative research, which places emphasis on the object of study (in this case, the necessity of creating transparency for managers) and not on pre-developed theories (Atteslander 2003; von Kardorff 1995).

Quantitative Part: Online Survey

1. How important are the factors for collaboration—within a company?
   · between companies?
2. How comprehensible is their influence on the collaboration?
3. How transparent are the factors?

Qualitative Part: Expert Interviews

1. What are the reasons for this weighting?
2. Why is the influence of certain factors not comprehensible?
3. What is the cause of awareness lack?

Figure 2: Empirical Method

The quantitative section determines the importance from a management perspective as well as the recognized effect and the existing awareness of these factors for internal and cross-company cooperation. In this investigation step, we request insight into questions, such as: what is needed for transparency? We will be clear on how much each concept was covered and to what extent. A standardized online questionnaire in German and English was implemented as the tool of surveying. In order to recognize a tendency to one of the poles of the scale in the evaluation, this questionnaire contained almost exclusively closed questions and was provided with four-step response scales, as suggested by Bortz and Döring (Bortz and Döring 2006). The survey started in January 2011 and lasted for nine months until September 2011. Within the existing network and during the industrial and scientific meetings, participants who were holding middle or upper positions in management of global companies (or aspire to) were acquired. In concrete terms, 95 managers completed the questionnaire. The structure of the questionnaire is strictly determined by the process diagram in Figure 2 (left). Before the participants answered the questions, they were made familiar with the concept of transparency as “the perpetual availability of decision-relevant knowledge”. The scheme meets requirements determination of transparency because values measured on the same scale (meaning, comprehension of impact and transparency) are directly comparable. Requirements are derived from highly rated factors with less transparency. Despite a high emphasis on lack of transparency, a non-existent demand is a special case, which occurs with revelations in qualitative research, for example, when companies manage to deal with the lack of transparency.

The focus of the qualitative research is the question of “why”, in this context it means the reasons for the weighting of the factors and for the lack of comprehension and traceability of their influence on the business. Therefore, an expert interview is appropriate, because the research objective is the subject of evaluation and not precisely definable information depending on answers to standardized questions. This is especially true for expert interviews, which are guideline-based in principle (Gläser and Laudel 2006).

There were 14 managers of medium to large international corporations interviewed. They have been recruited on various conferences as well from our own corporate network, which include partner companies from the Pharma, Medical, Finance, IT, Automotive and Mobile Communication technology industries in Eastern European countries, in Brazil, China and Hong Kong. The surveyed managers’ positions ranged from product managers to marketing department heads and responsible decision-
makers for innovation developments. The interview guideline is based on the questionnaire used in the quantitative part of this research and consists of three blocks with mainly open questions. The first block of questions investigates the decision-relevant information and knowledge (including their sources and quality requirements) as general perception objects from a management perspective. The second block addresses the weighting and perception of specific factors and the awareness of their influence in cooperation. It focuses on the arguments for the weighting, on the reasons for missing awareness of these factors and on the lack of comprehending the impact of these factors. The knowledge of relationship between people is a major challenge, which is supported by the third block of questions. The third and final block examines the transfer and availability of decision-relevant knowledge between people in a spatially/temporally distributed environment. The interviews were conducted face-to-face and partially carried out by telephone.

Online Survey Results

The results of the quantitative survey are reflected at first in the gap between an importance (formulated by managers), current existence of transparency and comprehension of the eight factors. The arithmetic averaging provides a central tendency of the scaled values of the observation with regard to the importance from the managers’ side, the comprehension and transparency of these eight factors.

Importance from the Managers’ Perspective

We analyzed the frequencies of responses to the question about the importance of the eight factors for internal and external collaboration of enterprises (Figure 3 and 4). Internal collaboration means all in-house interactions of members of the surveyed organization to achieve business goals. With external collaboration, all activities and interactions occur between members of the organization and members of external/third-party organizations (e.g. offshore partner companies, politicians or regulatory officials of emerging economies). Although, it should be noted, that these third-party organizations are not necessarily foreign. The answers are coded according to the prescribed four-level scale: very high (4), high (3), low (2) and very low (1). The factors are similarly weighted for the internal and external case.

Managers attribute technical infrastructure as their highest priority. More than half of those interviewed consider this factor to be paramount. Information systems or rather the entire technical infrastructure shall therefore stand as an essential precondition for doing business in a distributed or local environment. Technical infrastructure stands not only in connection with organizational problem-solving performance, but it also enables an efficient and effective flow of information and knowledge for strategic, tactical and operational situations, and it automates business processes in emerging economies and provides information to global decision makers. Without having an intact, high-performance technical infrastructure a worldwide collaboration with emerging economies is hardly possible, simply because of the need to overcome distances and time zone differences.

More than 70% of the interviewed managers bestow high or very high importance for the factor economy. It influences the profitability, which sinks, for example, in low-wage countries, if there is a significant wage increase expected. Within the organization, the factor economy plays a smaller role (as opposed to other factors), but the factor plays a bigger role for collaboration with third parties, which are primarily run by economic interests and needs. Many managers expect to gain from the growing markets thanks to rising sales and they expect to create favorable development and production capacity at low cost due to the technological boom in the emerging economies.

Factors such as law, politics, social structures and culture are of high to very high importance. The last two factors, social structures and culture have a higher priority in the company's internal cooperation.

The geography and demographics were lowly evaluated, which confirms the study in (Pallot et al. 2010a). The factor of geography, which has a consistently lower rating, relates to the importance of technical infrastructure that overcomes spatial distances and reduces logistical expenses.

Gap between Importance, Comprehension and Transparency

The technical infrastructure has the highest transparency and therefore its influence can be easily understood. This is plausible, as it is one of the hard factors, which can be represented in data and
numbers and have a direct and measurable impact on processes within and between organizations. Similarly, this applies for the factor economy with the second highest comprehensibility and transparency. The information distribution and reporting is pronounced well in emerging markets so that the acting Manager can retrieve data and figures on demand.

The factors of law, politics and social structures are in terms of comprehensibility in third place, followed by culture, geography and demographics. The last three factors and social structures are, however, more transparent than law and politics. This can be explained with the explicitness and durability of culture, the available knowledge on geography and access to quantified demography structure and social system structure. The law and political factors are less visible to the outside and more dynamic than, for example, culture or geography. Being constantly in the picture of political and legal influences and trends at global locations of emerging countries is therefore a significant challenge.

A gap between importance, comprehension of impact and transparency of the factors can be represented from the data collected based on differential areas. The scaling of the responses are consistent for the entire collection, in which the value 1 has the lowest scale and the value 4 has the maximum achievable scale. The uniform scaling enables us to derive a differential area directly with this line chart of the arithmetically averaged responses. Based on these areas, the gap between importance of the factors and their comprehension of impact are graphically represented in Figure 3.

When the gap between importance and comprehension of impact is small (for example the factor of technical infrastructure), that means managers bestow these factors of importance and firmly understand their impact. The technical infrastructure has a high weight in its importance but it was also rated as very comprehensible. That is, managers consider this factor as important, and they understand its significance on collaboration. Scarcely less comprehensible are the influences of the factor economy.

![Figure 3: Gap between Importance and Comprehension of Effect](image)

The differential areas in Figure 4 provide a clear illustration of the gap between management-side importance and transparency.

For all factors (except geography and demography), there is a gap between existing transparency and importance. One exception is the factor economic, in which case the gap between transparency and importance for intra-organizational collaboration disappears. According to the results, the transparency of technical infrastructure is very high. Companies develop their own infrastructure and adapt it continuously to fit for their growing needs. This is caused by a deep involvement with the technical infrastructure within the company and around its environment, which may be reflected in a high
transparency of this factor. For the infrastructure in emerging economies, this does not apply as concretely as there is still potential to conform with the foreign technical infrastructure more deeply.

Figure 4 reveals a recognizable gap between management-side importance and transparency of the factors law, politics, social structures and culture. The dynamics and complexity of legal systems are considered as potential reasons, which are different for countries and even for administrative areas within a country. The more global (geographic spread) the collaboration is, the more touch points it has with the legal framework. This heterogeneity also applies to political and cultural systems, in which the explicitness of politics and especially of culture is even lower than that of the factor of law.

![Figure 4: Gap between Management-side Importance and Transparency of the Factors](image)

**Results of the Expert Interviews**

A total of 14 persons (managers, directors and board members) in mid-level companies to large groups which operate internationally were interviewed.

As it turns out in the interviews, each company has its own sources for decision-relevant information and knowledge. In the financial sector, there are sources such as in-house experts, in-house analysts, reports, newspapers, Internet, credit-reporting agencies (like SHUFA in Germany or Equifax or Experian in the US) as well as external specialists. According to all surveyed companies, in-house databases and statistics are the major sources of decision-relevant information and knowledge.

Companies that specialize in IT, software development and consulting obtain their information and acquire knowledge from experts, press releases, credit-reporting agency, Internet, Chambers of Commerce and their respective Foreign Offices. The last two sources are not only used by IT companies, but generally by those who aim to either foreign markets expansion or the value-added use of resources/services from overseas.

The companies surveyed in the automotive and telecommunications industries exploit their customers’ data and use internet, chambers of industry and commerce, financial data providers, manager magazines, stock markets and expert reports as information and knowledge sources.

Wholesalers, service providers and value-added resellers attend international trade fairs to gather information on the state of technology, competitors and new solutions. Companies usually use the chance of visiting fairs to expand their partner network across product developers, sales agents and direct sales channels.
A strong statement in these interviews is that specialist knowledge and experience of experts are illustrated as the most valuable knowledge resource for companies. In such a context, establishing consulting departments with their own experts in large companies is the current trend. The collected resources for decision-relevant information and knowledge are listed in Figure 5 after the carrier and to Warnecke’s (Warnecke, Gissler and Stammwitz 1998) dichotomy "Internal / External".

With respect to the question of who obtains the decision-relevant information, the managers have usually answered with "I, myself". They classify the majority of such information as confidential. In other cases, department heads and especially an assistant as a closely related party plays the role of manager’s so-called "right hand" that learns such information and forwards it with purpose. From the responses to the question, what decision-makers mainly claim or expect of providing the information and knowledge sources, are classified with six features that are prioritized as indicated in the order below:

- Reliability
- Immediate access
- Up-to-date / Novelty
- Expertise
- Level of detail
- Objectivity
It is conspicuous, then, that respondents replied that prioritization of the information and knowledge source features are not different from operational and strategic considerations. Obviously, the control of the operations plays a vital role - for understandable reasons. Only in this way, can we explain that reliability, immediate access and timeliness are of top priority. Deviations between actual and required value can be considered as a need for immediate action that the manager instinctively become aware of.

Coherently with this approach, reliability is the first and most paramount feature because the remaining properties are obsolete and irrelevant if the information is unreliable, incorrect or insufficient. Especially in emerging economies, where the compilation of information is technically not as mature as in the developed countries, the information reliability must be strongly considered. Some respondents even indicated this as "Information that can be harmful to business". This kind of information leads to an incorrect assessment of the situation and thus to wrong decisions.

Immediate access takes the second place. The interviewed decision makers have plausibly explained this with the following argument:

"What is the use of latest, professional and detailed information and knowledge, if I cannot retrieve them in urgent situations? In order to react quickly, they must be immediately available."

In the interview with the international manager of a German automotive group, which is present in emerging economies, a further statement is established that the information should not only be up-to-date, but also provided at regular intervals. In this way, a rhythm is created in the company, which means that situations can be profoundly assessed and - if required - counteracted periodically. In a critical situation, decision makers need to deal with the phenomenon that their subjective information demand is always greater than the accessible knowledge.

From this perspective, it is important for the manager to be regularly and reliably informed about current business development in daily operations. The direct benefit for a manager is timesaving. In this way, the manager can avoid troublesome requests and relieve stress because otherwise they must always worry about missing important developments.

Managers from the automotive industry and the wholesale trade called the timeliness in the context of the increasing demand and sales comparisons of individual branches. Managers from the financial sector apply the timeliness to money market interest rates, business climate index, image research data and R & D ratio. All interviewees of each branch emphasize the current working capital as well as the knowledge on credit rating of customers and business partners. A majority of the respondents use automatic notifications via email, RSS or mobile applications, by which they can be informed on several occasions:

"Although the majority of information is up to date, I am only interested in individual cases. Automatic notifications with decision-relevance are exceptions – however, are very important!"

This gap between timeliness and relevance means that the majority of automatic notifications have to be discarded, and the minority, which contains decisive information should not be overlooked, yet this requires constant extraction. Some managers said:

"Information and knowledge have in terms of decision-relevance only then an unsurpassed accuracy, when they origin from a personal contact."

The stock exchange quotation, tax changes, as amendments in other areas of law are not affected by this problem.

The features expertise and level of detail close to the preceding features. Information, which is at least reliable and up to date, can be detailed/deepen at any time. On the contrary, unreliable and dated information and knowledge is hardly gradable - even if it goes into detail or is technically comprehensive.

The last feature is the objectivity. According to their own words, several managers advocate and even consider for their decisions the subjective assessment, personal assessment and recommendation for action from acquainted people. This assessment means that decisions can be made by a certain "feeling"
or intuition. Strategic decisions are and should not be made due to the timeliness or under the constraints of time pressure. Major strategic decisions are growing within the companies and they are made and reflected upon by several persons from different perspectives. This compacted and reflected knowledge is highly relevant for the decision makers. In this respect, the management level supports its decision on transfer of knowledge from experts and experience of other companies, which are in a similar situation. As a result, an intuition for making a strategic decision is indispensable.

**Statements of Management on the desired Transparency of the Factors**

The interviews confirm the result, which has already been obtained in our online survey that the technical infrastructure, economy, social structures, law and culture are very important factors for internal company collaboration. Most of the managers explained the importance of technical infrastructure with a high “vital” communication support between business units (that are local or located at the emerging economy’s location) and systems throughout the organization. The low valuation of the geography and demography factors in the interviews is also confirmed by the online survey results. For example, a manager of a pharmaceutical company said:

"The geography factor hardly plays a role. The decisive factors are tax level, subsidies, regional policies as well as wage and price regulations. Therefore, we are even willing to relocate our office."

With respect to the question of the background of the cultural importance, the managers stated a necessity of adopting and maintaining a company culture, for instance, performance orientation, retention and collegial. This culture is fundamental to the motivation, the sense of community and the company’s identity with the actions of each member.

In the external company collaboration, the weighting of factors from the management side is similar, but the profound focuses are different. Therefore, the compatibility of information systems plays an important role in connection with the technical infrastructure. Particularly in the vertical collaboration between companies, this compatibility is regarded as a prerequisite for the cross-border availability of information between them, for the trouble-free exchange of services along the value chain and for the business data matching at their interfaces. The interviewees weigh the economy factor highly for international cooperation in terms of low wages and production costs on the one hand and purchasing power and consumption climate in the destination country on the other. However, the potential of cost saving and consumer market within a country have conflict with each other:

"The purchasing power increases with the income level, which reduces our advantage in production cost. We benefit from the middle class, which arises from the urbanization and the nation-side reforms to social welfare overseas."

This conflict of objectives seems to come from an operational perspective only. Higher wages are then neutral from the perspective of a total cost basis, if it is possible to increase the productivity of the company in the same way. Accompanying with income, the purchasing power is growing as a precondition of a positive economic development. Moreover, this applies to emerging markets, where the prosperity of the growing middle class increases.

According to managers, law and politics for international collaboration between companies are important factors because they are short-term and can effect framework conditions in unpredictable ways. Politics are seen as a positive factor in terms of possibilities to enforce interests by influencing or even granting undue advantages to legislative and executive decision makers. Corruption in emerging markets, particularly in China, is almost inevitable.

One reason for the strong weighting of the culture factor is on the one hand the cross-cultural communication and the associated possibilities of misunderstandings and on the other hand the value system(s) of the other culture. An example should clarify the importance of this factor. In a Confucian culture, as it is in China and Japan, loyalty is maintained as a high priority. This is valid only within the specific group, such as a family, a company or another community, but such a feature no longer exists in western companies. Thus, a western company is not sure to get the appropriate return on the principle of reciprocity in the form of a high loyalty by investing to train its local employees. Too often, there is the
opposite case: the employee who takes the training is more valuable on the labor market and competitor companies therefore chase him. Receiving such an offer, he will feel no obligation to show the loyalty or thankfulness to her old company. He will go to another company to get a better salary. This will be done in a very short time, sometimes in mere days.

A foreign manager cannot have this knowledge in advance. He might only acquire it through his own personal experiences - which inevitably turn out to be very expensive for him and likewise for the company. The foreign manager would do better to win the experience through an existing network where this experience has already been established. In a foreign culture, the personal exchange of experience is irreplaceable. Not purely coincidental, then, the foreign chambers offer such network structures.

In assessing social structures as a factor of cross-enterprise collaboration, predominant uncertainty prevails on the part of the respondents. Undoubtedly, social structures effect the individual behavior of persons. According to a majority view of the managers interviewed, the influence of individual and particular emotional behavior on the internal and external cooperation increases with the position in the company hierarchy, which is partly in contradiction to Pallot’s statement (Pallot et al. 2010a; Pallot et al. 2010b). The need for transparency in this area is as same high as in the sectors of law and politics.

The demand for legal transparency is reflected by the managers need to exclusively relate and confided in experts with respect to legal issues, for example, partner law firms that specialize in law relevant to business with emerging economies. For example, Brazil has a very special customs law system, with which many managers are unfamiliar. Additionally in Brazil, customs tightened controls on imported goods and merchandise must be registered with the import by the importer in the electronic trade system Siscomex. Politics is transparent only for inside members, who also have access to informal communication with political representatives and decision makers. This already requires a high and difficultly delegable effort in creating and maintaining the regional networks. In order to solve these problems, the lack of transparency and the necessary efforts are significantly higher in the context of the global cross-company collaboration.

The manager of the Eastern Europe building equipment and appliances producers emphasized in the interview that transparency of factors is important; however, cautious or delayed action would trigger the loss of risky yet interesting business opportunities in the case of lack of transparency.

**Knowledge Bound to Persons as Complicated Feature**

All of the interviewed experts acknowledge that a challenge of management is that knowledge is bound to individuals. This challenge increases in proportion with the higher the position of employees and company size, because both are related to the organizational and business level of complexity:

"This is especially for key persons who have built up their own network and strategic skills that are highly related to the business due to their outward role and leadership besides know-how and management skills."

According to the managers interviewed, the knowledge of persons at the operational level is specifiable to a certain extent that can significantly vary depending on professional specialization and technical depth. As it is also claimed, the clear distribution of tasks as well as competencies and role separation ensure a healthy and conflict-free working environment. In addition, vertical, downward knowledge flows are consciously limited to what is necessary - on the following grounds:

"Strategic and business critical knowledge cannot get lost if it will not be or should not be handed down."

Conversely, in the ascending vertical direction, hardly any knowledge of very special expertise and application flows up from the operational level. This includes successful methods, best practices and new technology or process technology trends.

Compared with the vertical knowledge streams, the horizontals flows are more significant. The main reason is that informal discussions as well as professional assistance from "peer colleagues” take place more often and on a more regular basis. Such knowledge transfers take place only in the personal
interaction and are overall the highest-valued exchanges according to the surveyed managers. The following argument is the main consideration and basis of the high weighting:

"Knowledge – expertise and experience in particular – is hardly transferable efficiently than through a personal contact and exchange."

On the other hand, it was noted that these knowledge transfers are strictly limited in the acquisition of new knowledge, if they are conveyed within organizational limits. Knowledge must flow across organization borders, particularly from emerging economies into the own enterprise. A manager from the automotive industry compared this kind of learning with the "incestuous" growth of the Japanese automobile manufacturer Toyota. Within closed organization limits, new knowledge can be efficiently created only by external training of old staff or by new persons with the knowledge that they have learnt and used in another organizational context. The biggest challenge in overcoming the knowledge bound to persons is - as the interviewees testified - a direction independent unwillingness to share their own knowledge (vertically or horizontally):

"Knowledge is power. Who submits it will lose and risk his unique position as well as his advantage over others. This is not about mere facts or expertise, but rather deepened, reflected experience knowledge that determines of your own recipe of success."

Explicit knowledge that originates from books, magazines, emerging market reports and digital media must be complexly extracted and internalized at first. And even then it is far from being ready to truly utilize (Pfeffer and Sutton 1999). These forms of media have the advantage that their explicit knowledge contents are widely (freely) available along both the horizontal and vertical dimension.

The sharing of information and factual knowledge is loosely bound to persons and therefore easily automated (for example, via e-mail, RSS or mobile applications). The more specific and decision-relevant the information should be, the greater is the technical challenge of automation. In this way, for example, stock quotes, business alerts of emerging economies or sales figures can be more easily obtained than event notifications about unexpected/critical business situations. Typically, subscription-based information or ad hoc accessible knowledge is far from usable for making valid decisions, but a "raw material" that must be processed by networking with existing knowledge and experiences (Jantzen 2009). Not only the repertoire of tacit knowledge as well as experiences are strictly bound to persons, but also the aptitude of processing, such as the ability to combine and evaluate new information as well as to draw conclusions for decisions.

Overcoming knowledge, which is usually bound to persons, is therefore considered as an adjustment screw for the retrieval of decision-relevant knowledge. Figure 6 shows the relationship between the temporal and epistemological dimensions.
The dimension value ad hoc means that the retrieval of knowledge can be automated and is time-predictable. Companies that can retrieve their knowledge largely along the epistemological dimension ad hoc are characterized by a high capacity to act. They are able to anticipate and illustrate impacts of changes in their own business processes (Gronau 2008). The influences are traceable to the researched factors, because they either come from the environment (for example, economic, legal and political influences) or even from the inside (such as social, cultural and employee-side influences).

Decision-relevant knowledge is available in short to medium term, for example, if a company has established process models which provide a statement within a time limit, no matter if the decisions are valid or not. According to the principle of "let it happen and react", reactive companies remember the result and the consequences of this decision for its future action.

In the expression of the long-term, validity of decisions is difficult to assess temporally. Therefore, passive companies follow the principle of "who doesn't act at all cannot make mistakes", in other words, the person making no decision at all, accordingly cannot make a wrong decision. In an interview with the CEO of a pharmaceutical company, a case is revealed where a passive group has made no decision (and will not make a decision for the foreseeable future), even though the knowledge for its required action is available and acknowledged.
Contribution

Our hypothesis, aligned with our research question, set out to contribute to the inquiry of just how substantial the gap is between importance and awareness of the influences on enterprises’ business in emerging economies. We can summarize two main contributions that emerge from the study:

- The gap is large in terms of the influencing political factors, legal and social structures. Moreover, there is - albeit a not so great – gap in terms of cultural and economic factors.
- In order to close this gap, managers need to be provided with an ad hoc access or at least a short-to-medium-term access to epistemologically advanced knowledge on these influences.

The investigated factors arise in particular by diffuse and elusive influences in the legal, social, cultural and political context. There remains a wide range of starting points with respect to future research. With the problem empirically demonstrated, it opens up a special research field in the area of knowledge management that deals with capturing and extracting decision-relevant information related to political, legal and economic influences on business in emerging economies and with the provision of epistemologically progressed knowledge to global managers. Information systems can only represent the complex reality inadequately at best. Tools for creating, maintaining and extending informal networks can enable knowledge flows between managers and experts who are aware of political and legal trends as well as their influences. Tools for Business Intelligence and crowdsourcing are just the beginning of a myriad of possible solutions. A viable approach, however, includes the Knowledge Modeling and Description Language, short KMDL (Gronau 2012). Modeling knowledge-intensive processes and the K-Modeler are a suitable tool for such analyses.

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