CORPORATE CULTURE AS AN IMPORTANT FACTOR IN THE IMPLEMENTATION OF KNOWLEDGE MANAGEMENT

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Abstract: Knowledge and knowledge management are now increasingly seen as a critical part of the corporations. The increase development needs of corporate knowledge as well as innovative activities, whilst underlining the need and importance of corporate culture, because the content of the corporate culture consists of basic assumptions, values, norms of behaviour that are shared within the corporation and externally are manifested through behaviour and artefacts. That's why the corporate culture inherently clearly affects the level and success in implementing knowledge management. This article aims to highlight the importance of corporate culture in building knowledge management and point out key elements that influence corporate culture supporting knowledge sharing.

Keywords: Corporate culture. Corporation. Knowledge. Knowledge management.

1 Introduction

Knowledge management has emerged as one of the most important area in management practices and is established as a basic resource for firms and economies. Peter Senge believes that the only competitive advantage in the world's future will be the knowledge owned by corporation, as well as the ability of the corporation to continue learning (Duffy & Jan, 2000). Knowledge management is regarded as collection, distribution and efficient use of knowledge resources. It is a process of knowledge creation, validation, presentation, distribution and evaluation. Knowledge management is a multi dimensional construct with a large number of interrelated attributes. However, its three components or attributes that are commonly found in the literature are: knowledge acquisition or adaptation, knowledge dissemination or sharing and responsiveness to knowledge or knowledge use.

The knowledge management practices in the corporations depend on some prerequisites. One of the important pre-condition for effective knowledge management is corporate culture. Thus, one needs to understand what the culture of the corporate is, and one needs to understand whether or not this culture will enable knowledge management or hinder knowledge management. Furthermore, an excessive focus on technical issues rather than social aspects, results in poor knowledge management practices or altogether failure to comply the practices in the corporations. Specifically, there is lack of empirical evidence about what are the specific cultural variables that support knowledge management processes and help in development of knowledge culture (Oliver and Kandadi, 2006).

Consequently, this necessitates understanding the success and failure of knowledge management within corporations by identifying and assessing the preconditions that are necessary to flourish the endeavour. Many scholars and practitioners (Lopez et al., 2004; Kulkarni et al., 2007) believe that a corporate culture that is supportive and or adaptive can enable the successful implementation of knowledge management technologies as well as practices.

2 Literature review

This section rigorously reviews the relevant literature to point to the importance and the substance of knowledge management and characteristics of corporate culture, as well as the relationships between them.

Standards Australia (2005) defines knowledge managements as the design, review and implementation of both social and technological processes to improve the application of knowledge, in the collective interest of stake holders. Nonaka (2007) prefers to call knowledge management knowledge-based management, connecting people to people and people to information to create competitive advantage. Bergeron (2003, p. 54) defines knowledge management in this way: “Knowledge management is a deliberate, systematic business optimization strategy that selects, distils stores, organizes packages, and communicates information essentials to the business of a company in a manner that improves employee´s performance and corporate competitiveness.” According to Collison (2005) is knowledge management an integrated, systematic approach to identify, manage, and share all of the department’s information assets, including databases, documents, policies and procedures, as well as previously unarticulated expertise and experience resident in individual officers.

Knowledge management implementation in corporation will aid in effectively and efficiently solving learning problems and apply strategic planning and dynamic decision making (Gupta, 2000). Lopez noted that knowledge and corporate capabilities are forms of strategic capitals that promote the corporation's long-term goals and have strategic application in dynamic contexts. One of the key goals of knowledge management is to transform implicit knowledge to explicit knowledge; this leads to a reduction in the loss of valuable knowledge due to performance declines, as well as a reduction in the loss of corporate memory (Liebowitz, 2015). A comprehensive definition of knowledge management, which includes many aspects of knowledge management and serves as a basic definition of the concept in this paper is presented by Davenport and Prusak, i.e., the "exploitation and development of knowledge assets in the corporation, in [such] a way that goals are achieved" (Davenport & Prusak, 1998, p. 47). Generally, we can say that knowledge management is a process that helps companies to detect, select, organize and distribute important skills and information that is not usually accessible or organized, and can be considered as corporate memory. Many scholars and practitioners: Lopez et al., 2004; Kulkarni et al., 2007 and others believe that a corporate culture that is supportive or adaptive can enable the successful implementation of knowledge management technologies as well as practices. Schein (2004, p. 34) defined corporate culture as: “A pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore to be taught to new members”. This is the most widely used definition. Schein (2004) posited that culture is the most difficult attribute to successfully achieve by many corporate. Schein corporate model illuminates culture from the standpoint of three cognitive levels of corporate culture (basic assumptions, values and artefacts). Cooke and Lafferty (1987) came up with the concept of corporate culture inventory define culture as the behaviours that members believe are required to fit in and meet expectations within their corporation (Easterby-Smith, 2011).

According to Cooke and Lafferty, corporate culture inventory, measures twelve behaviors of norms that are grouped into three general types of culture:

- constructive cultures, in which members are encouraged to interact with people and approach tasks in way that help them meet their higher satisfaction needs.
- passive/defensive cultures, in which members believe they need to interact with others in ways that might not threaten their own security.
- aggressive/defensive culture, in which members are expected to approach tasks in forceful ways to protect their status and security (Easterby-Smith, 2011).

Hofstede (2005, p. 47) called culture the “software of the mind”. Notwithstanding the numerous definitions that exist, there is no consensus regarding a single exact definition of corporate culture. From the above, corporate culture is reflected in the way people perform tasks, set objectives and administer the necessary resources to achieve set objectives. Culture affects, the way individuals make decisions, feel and act in response to the opportunities and threats affecting the corporations. Thus, culture is a sort of glue that bonds the social structure of a corporation together.

3 Importance of corporate culture for implementation the knowledge management

The creation and transfer of knowledge in a corporate has become a critical factor in corporation´s success and competitiveness. Many corporations are now concentrating their efforts on how knowledge particularly tacit knowledge that exists in the corporate can be transferred across the corporations. In studies done in various corporate, Dixon (2000) found that the two main knowledge activities that need to be balanced are the creation of knowledge (referred to as common knowledge) and the transferring of knowledge across time and space. Generally, when something is being transferred, someone will gain it and someone else will lose it.

However, knowledge, which is regarded as an intangible asset, is different from tangible assets. Tangible assets tend to depreciate in value when they are used, but knowledge grows when used and depreciates when not used (Nonaka, 2007). Knowledge transfer requires the willingness of a group or individual to work with others and share knowledge to their mutual benefit. Without sharing, it is almost impossible for knowledge to be transferred to other person. This shows that knowledge transfer will not occur in corporation unless its employees and work groups display a high level of co-operative behaviour. Knowledge is transferred not only from individual to individual, but also involves „individual to a team or group, team or group to individual, or team or group to team or group. According to Davenport and Prusak, knowledge transfer involves two actions which are „transmission (sending or presenting knowledge to a potential recipient) and absorption by that person or group. (Davenport and Prusak, 1998, p. 101). They further stress that „transmission and absorption have no value unless they lead to some change in behaviour, or the development of some idea that leads to new behaviour. (Davenport and Prusak, 1998, p. 101)
So one of the most import ants questions for corporate interested in implementing knowledge management is what are the key enables to help us be successful? Several studies have tried to identify these enablers for knowledge management. Figure 1 displays the results of one European-wide company survey asking about the main success factors for knowledge management initiatives. Nearly one company in two mentioned corporate culture as one of the main enables for knowledge management. Almost every third company named structures and processes, information technology, skills and motivation and management support as key success factors.

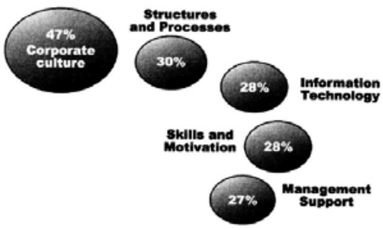

Figure 1 Main enablers of knowledge management initiatives. Source: Mertins (2003, p. 148)

Also other studies and practices pointed on culture as a key success factor for implementing knowledge management. For example Skyrme and Amidon (1997) highlighted seven key success factors. These includes a strong link to a business imperative, a compelling vision and architecture, knowledge leadership, a *knowledge creating and sharing culture*, continuous learning, a well-developed technology infrastructure and systematic corporate knowledge processes. These factors play a key role in taking advantage of hidden benefits; however, achieving them can be complicated. These factors are called critical success factors or bottlenecks. Lacking these factors is a major corporate barrier for achieving corporate goals.

Wong and Spinwall (2005) discussed managerial factors that affect knowledge management's successful implementation within 11 frameworks. These factors are: leadership and leadership support, *culture*, information technology, goals and strategies, evaluation, corporate infrastructure, corporate activities and process, incentives, resources and training and human resource management.

Collison (2005) claims those top managers' support, *corporate culture*, technological infrastructure, knowledge management strategy, performance appraisal, corporate infrastructure, activities and processes, rewards, resource limitations, education and training, human resource management and benchmarking. So, we can say, that corporate culture is an important driving force behind all the movements in the corporation. According the results of many studies is corporate culture one of the major reasons behind the failures of knowledge management initiatives and it is crucial for successful knowledge management. Corporate culture impacts the knowledge exchange, the combinative interaction, and the perceived value of corporate members (Schein, 2004), thus it has a significant effect on knowledge creation capability.

According to studies, practices mentioned above and many others, we can divide these factors two four groups. Figure 2 shows critical success factors grouped into four pillars, that can help corporation to derive real and significant results in its most critical business processes and measures through its knowledge management initiative. Corporation need to have all four pillars in place. Half measures will not give the company any significant results.

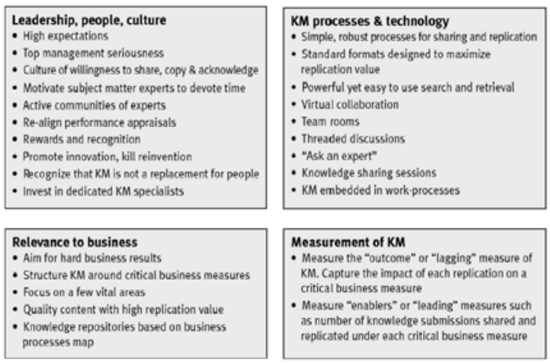

Figure 2 The four pillars of knowledge management
Source: Easterby-Smith (2011)

3.1 Key elements of corporate culture supporting the knowledge management

Senge believes that in the future only two types of corporations will exist: ceased corporations that will disappear slowly and unexpectedly; and the learning corporations that will have the ability to learn and to react on fluid market much faster than their competitors (Collison, 2005). Resultantly, the success or failure of knowledge management within corporations depends on culture, an emerging pre-requisite for effective knowledge management. Researchers argued that culture is a complex system of norms and values that is shaped over time and affects the types and variance of corporate processes and behaviours (Nonaka, 2001).

According to Schein (2011) corporate culture can be understood on three different levels (see figure 3):

- Basic assumptions are unconsciously held learned responses which determine how group members perceive, think and feel.

- Values and beliefs are part of individuals' consciously held conceptual apparatus, which they use to justify their actions and evaluate outcomes.
- The third level of culture comprises visible artefacts, by which is meant everything from office layout, dress codes and books relating company history, to stories, myths and symbols.

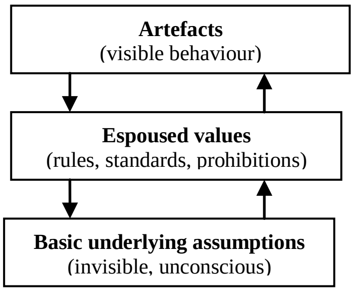

Figure 3 Three levels of culture
Source: Schein (2011, p. 78)

All three levels of corporate culture are extremely powerful determinants of corporate life, and are intuitively incorporated into the actions of skilled executives who use them to manage people, formulate strategy and induce corporate change.
Corporate culture is imperative factor for successful knowledge management (Davenport et al. 1998, Pan and Scarbrough, 1998, Martensson, 2000). It defines the core beliefs, values, norms and social customs that govern the way individuals act and behave in corporation. In general, a culture supportive of knowledge management is on that highly values knowledge and encourages its creation, sharing and application. The biggest challenge for most knowledge management efforts actually lies in developing such a culture. Since culture is a wide concept, it comprises many facets. According to some authors that have studied this kind of culture, learning culture can be described as a corporate culture that is oriented towards the promotion and facilitation of workers' learning, its share and dissemination, in order to contribute to corporate development and performance (Liebowitz, 2015). In the literature, this cultural orientation towards learning is called oriented learning culture or simply learning culture and, in short, it is the type of culture that a learning corporation should have. In other words, "in practice, corporate learning culture can be a vital aspect of corporate culture and the core of a learning corporation" (Wang et al., 2007, p. 156).

Among them, we could highlight learning as one of the corporation's core values, a focus on people, concern for all stakeholders, stimulation of experimentation, encouraging an attitude of responsible risk, readiness to recognize errors and learn from them, and promotion of open and intense communication, as well as promotion of cooperation, interdependence and share of knowledge.
Based on the compilation of several studies, the following values are identified as key corporation values or cultural drivers (Holbeche, 2005; Rooney, 2006; Avedisian & Bennet, 2010; Kippenberger, 2010, Nevis et al, 1995, Senge, 1999, Sveiby and Simons, 2002):

- innovativeness,
- customer-centricity/focus,
- flexibility,
- openness, communication and dialogue,
- teamwork, collaboration
- trust and respect for all individuals,
- risk assumption
- creativity and
- learning (Easterby-Smith, 2011).

Edward Hall identified three levels of the culture and explained them by referring to how they influence learning:

- the formal level – here the concepts are “taught by percept and admonition (…) the learner tries, makes a mistake and is corrected.” , in other words he learns using conceptual and behavioural patterns;
- the informal level – here learning is done through models and imitation;
- the technical level – here learning is done using explicit forms (Collison, 2005).

And how can be culture managed to be culture supporting knowledge management initiatives? If manager think of culture as both a source of resistance and energy, long-term „managed change“ is possible. If the sailor understands the prevailing wind systems, tides and currents, he can use them to his advantage. If managers attempt to force the culture by „managing it“ or insult the culture by ignoring it, they will experience its subversive and invisible power. If they aim to understand it and work with it in support of explicit change goals, the culture itself will shift over time in tune these goals.

According to Bevern (2002) corporate culture does not refer only to people, their relationships and beliefs, but it also refers to products, structures, as well as on selection and reward practices of the company. It is deeply embedded and has an intensive historical impact on present and future management.

Moreover, some of the world´s most admired and successful business leaders (for example, Lou Gerstner or Jack Welch) believe that corporate culture, if correctly aligned with the external environment, is the key to long-term corporate success (Schein, 2004). However**,** too often these soft issues are forgotten and values are just declared by the management: no real understanding about corporate values exists.

These issues will be elaborated in turn in the research of this article. This study is based on quantitative research, administered on 246 employees of three big organizations, which are in study of Kokavcová (2011) identified as organizations having elements of knowledge management. As mentioned earlier, we have selected key elements that were identical among more authors (Holbeche, Rooney, Avedisian & Bennet, Kippenberger, Nevis, Senge, Sveiby and Simons): collaboration, trust, creativity, respect for all individuals. The questionnaire consists of 55 items, 12 for culture supporting knowledge sharing, 12 for collaboration, 11 for trust and 10 for creativity and 10 for respect of all individuals. The scale was rated on 5-point Likert-type scale, with 5 indicating “strongly agree” to 1 indicating “strongly disagree”.

As part of a deeper analysis of the data file was reviewed by the correlation structure (see Table 1). According to the results of this analysis, the culture supporting knowledge sharing in surveyed organizations is mostly influenced by trust and than by collaboration.

Table 1 Correlations between evaluated variables – Pearson Correlation

	Culture supporting knowledge sharing	Collaboration	Trust	Creativity	Respect of all individuals
Culture supporting knowledge sharing	1	0,742	0,829	0,678	0,688
Collaboration		1	0,731	0,620	0,670
Trust			1	0,731	0,626
Creativity				1	0,505
Respect of all individuals					1

Based on the research results it can be said that within the organizational culture there are various characteristics of culture that affect knowledge sharing, but mostly this study focuses on trust nad collaboration. Goh (2002) assented that a collaborative culture is an important condition for knowledge transfer to happen between individuals and groups. This is because knowledge transfer requires individuals to come together to

interact, exchange ideas and share knowledge with one another. Not only this, collaboration has been empirically shown to be a significant contributor to knowledge creation.
Trust is also another fundamental aspect of a knowledge friendly culture. Without a high degree of mutual trust, people will be sceptical about the intentions and behaviours of others and thus, they will likely withhold their knowledge. Building a relationship of trust between individuals and groups will help to facilitate a more proactive and open knowledge sharing process.

Besides this, there is a need to foster and innovative culture in which individuals are constantly encouraged to generate new ideas, knowledge and solutions. Likewise, Goh (2002) suggested a culture which emphasises problem seeking and solving. This reques also respect of all individuals. Individuals should also be permitted to query existing practice and to take actions through empowerment. By empowering individuals, they will have more freedom and opportunities to explore new possibilities and approaches. Equally important is the element of openness whereby mistakes are openly shared without the fear of punishment. In this respect, reasonable mistakes and failures are not only tolerated but allowed and forgive. Making mistakes should be viewed as an investment process in individuals because it can be a key source of learning.

3 Conclusions

Corporations that are successful in knowledge management consider knowledge as corporate property and develop corporate rules and values to support its production and sharing. Critical success factors of knowledge management system implementation that were identified in this study are: corporate culture dimension. The key elements of corporate culture, which support knowledge sharing, were in our research identified as trust and collaboration. The corporate culture can be understood as a system of collective thinking which differentiates one group from another. It integrates everything that has a certain value: the style of leadership, the symbols, the norms that are shared by the members of that corporation and which are considered definitive, the goals that have to be attained and the way this should be done, in a few words, it integrates everything that defines the success of corporation. In this respect, it is necessary for managers to discuss themes related to business processes in their meetings and to disseminate among employees a vision of the company as a set of interconnected processes that must work in harmony with the strategic goals. In other words, the departmental objectives should be in line with those of the corporation as a whole. The findings of this article support the argument, that building knowledge management in organization is possible only by creating knowledge culture, which is based principally on the trust. As to knowledge culture, an attitude of organization members to knowledge, significance of its transfer to the organization is important. Behaviour of organization members, formed by knowledge culture, will determine whether knowledge is shared or not. There are many other questions, which are related with building a corporate culture supporting knowledge management such as: how human resource management affects the building of a corporate culture, how leadership style, how size of organization, scope of business and under. These questions can be an inspiration for further research.

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Primary Paper Section: A

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