

Knowledge Management and National Culture in SMEs

- A case study of Turkish SMEs in Sweden -

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Linköping, 2005

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Titel Title	Knowledge Management and National Culture in SMEs - A case study of Turkish SMEs in Sweden -
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Sammanfattning Abstract <p>Background: The modern world is frequently referred to as a world of knowledge. In today's business the role of knowledge is gradually increasing. The problem of how to manage knowledge to gain efficiency and competitive advantage forced modern companies to think about Knowledge Management and its applications. However, many companies, and SMEs in particular, seem to be not so common to this process.</p> <p>Purpose: Since SMEs experience various problems in their daily activities this research aims to make them aware about the potential obstacles in Knowledge Management process. Therefore, this study tries to identify the cultural patterns in Knowledge Management, by considering it as a process.</p> <p>Delimitations: Considering the triangle in which corner stones are SMEs, national culture and Knowledge Management this research provides a limited scope on studied area.</p> <p>Realization: This study reviews its theoretical assumptions and tests them on the example of two case companies. The empirical findings gathered in those companies enlighten the assumptions of the authors and provide a ground for the analysis.</p> <p>Results: Focusing on the case of Turkish SMEs in Sweden the authors of this research were capable to confirm the theoretically driven assumption and to show the relation between the concepts of national culture, SMEs and Knowledge Management.</p>
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Nyckelord Keyword SME, Knowledge Management process, Turkish SME, Sweden, Elitex, Fact Bil

Foreword

Dear Reader,

As the authors of this research we would like to thank you for your interest and willingness to read our work. We hope that our work will be able to provide you the knowledge you are looking for.

We would like to express our appreciation for the academic support and advice in carrying out our research to Peter Gustavsson – our tutor in the Master's Program in Business Administration at Linköping University, as well as to our course mates at this project- Kalle, Jennie, Camilla and Victoria. In addition, we would like to thank Elitex, Fact Bil and their representatives for providing us valuable information for our case study.

Separate gratitude goes to our family and friends – without their willingness to help, at any point, many things would have been much harder.

We hope that you will enjoy our work.

Sincerely,

Tamara Galusca
Karim Mammadov

Linköping, 2005

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Chapter I: Introduction

This chapter intends to acquaint the reader with the problem, motivations and assumptions of the paper. It provides an answer as to why these specific focus areas have been chosen as well as to whom is this research directed.

Moreover, it presents some basic insights regarding the theoretical concepts and data collection methods that will be used.

1.1 Background

An increased volatility of the business environment and globalization, coupled with the cultural sensitivity affecting cross-cultural business-making, force contemporary companies to adapt to an international contexts and learn to understand their cultural diversity. Studying how cultural diversity affects Knowledge Management practices appears to be a very complex issue, yet it is challenging, provocative and novel.

Since knowledge is becoming a global product, managing knowledge as a way to improve organizational efficiency, competency and innovation made the phenomenon of Knowledge Management a world-wide marketable commodity. However, several related trends, including globalization, immigration, political and economic

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unification, and technological connectivity, suggest that a wider, more global perspective in Knowledge Management research and practice is acutely needed.

Thus, this topic appears to be interesting and significant, and what is even more important, needed both by academia and practical fields of business and management. The practical importance of this research lays in providing useful insights of how the process of Knowledge Management is intersected by the cross-cultural context on the case study of SMEs. Moreover, it is meant to attract the interest of those concerned with business-making in a cross-cultural context. In terms of academic importance, this research is meant to bridge the gap in literature and research on the linkage between Knowledge Management process and national culture in SMEs as this area seems unexploited and even unrecognized by academia.

Small and medium-sized enterprises have been chosen for this research because they are the driving forces of modern economies that have unique characteristics to lead to organizational effectiveness. Although there is no scientifically based definition of SMEs, the most largely used is the one given by the European Union. Thus, according to the EU, SMEs are defined as enterprises that employ less than 250 employees and have a turnover of less than 50 million euro.¹

According to EU statistics, there are 19 million SMEs in the European Union, representing 99,8 percent of all EU enterprises and employing more than 74 million people.² In Sweden, more than 99 percent of all enterprises are classified as SMEs since they have less than 250 employees. The majority of enterprises (94%) have up to 9 employees while about five percent have between 10 and 49 employees. Two-

¹ European Commission, “**SME Definition**”, Retrieved on: 15th November, 2004 from: http://europa.eu.int/comm/enterprise/enterprise_policy/sme_definition/index_en.htm.; see annexe 1

² European Commission – Enterprise, “**Definition of Small and Medium-Sized Enterprises**”, Retrieved on: 17th November, 2004 from: http://europa.eu.int/comm/enterprise/consultations/sme_definition/

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thirds of the enterprises have no employees at all. Altogether, the SME sector in Sweden accounts for 60 percent of total private employment.³

Turkey and Turkish SMEs have been chosen due to the desire of the authors to face the modern discourses about Turkey's prospective accession to the European Union and emphasise the economic and demographic value of this market.⁴

Table 1: Number of Turkish entrepreneurs in the EU (*1000)

COUNTRY	1996	1998	2000	2002
Austria	2,9	3,1	4,0	5,0
Belgium	1,4	1,6	1,7	2,3
Denmark	0,5	0,6	0,8	1,0
France	4,5	5,2	7,1	8,2
Germany	42,0	51,0	59,5	56,8
Great Britain	0,6	0,7	1,3	1,6
Netherlands	4,2	4,5	5,0	6,0
Sweden	0,3	0,5	0,8	0,9
Other EU	0,1	0,2	0,4	0,5
Total number	56,5	67,4	80,6	82,3
Source: Eurostat Source: Turkish Studies Center-Essen ⁵				

³ Nutek, data from 2002, Retrieved on: 17th November, 2004 from: <http://www.nutek.se/pub/www/common/print.jsp?a=2028>

⁴ Gateway to EU, Retrieved on: 17th November, 2004 from: <http://www.europa.eu.int/geninfo/whatsnew.htm>

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As shown in Table 1 the number of Turkish entrepreneurs in Sweden has gained constant exponential growth, reaching the number of 900 in 2002. This trend is valid for all member-states of the EU. In addition, figure 2 demonstrates that the economic power of Turkish entrepreneurs in EU has also showed stable growth, the data from 2002 illustrating that they have in average 5 employees per enterprise, with a total number of employees reaching approximately 400.000.

Table 2: The Economic power of Turkish entrepreneurs in the EU

Data	1996	1998	2000	2002
Number	56.500	67.400	80.600	82.300
Average investment by enterprise (100.000 €)	99.500	104.800	110.400	112.000
Total investment (Billion €)	5.6	7.0	8.9	9.2
Annual T/O (total) (in Billion €)	21.8	28.7	34.8	36.0
Average number of employees by enterprise	4,1	4,8	5,2	5,0
Total number of employees	232.000	323.000	419.000	411.000
Source: Eurostat Source: Turkish Studies Center-Essen ⁶				

Moreover, the Turkish culture is distinguished by strong and deeply seeded characteristics that are diametrically opposed to those of Swedish culture.⁷ This diversity makes the research interesting as it permits to distinguish clearly between cultures.

Even though SMEs are considered engines of modern economies, due to their small size they lack a proper application of modern concepts. However, here the authors will not discuss this issue and will explore the Knowledge Management process as a process which occurs in daily activities. In other words, the authors of this research, despite the few researchers, accept that there is a Knowledge Management process in

⁵ Medea, Retrieved on: 15th November, 2004 from: <http://www.medea.be/?page=10&lang=fr&doc=1650>

⁶ Ibid.

⁷ For further information please see the theoretical framework

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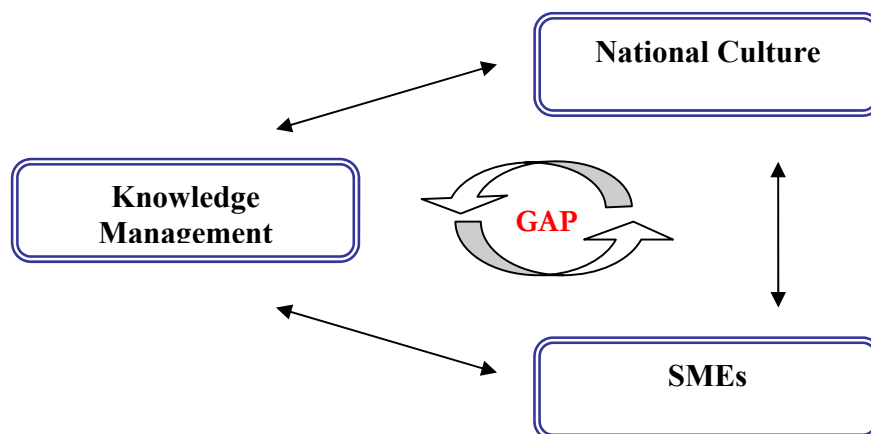
SMEs even if it differs from the traditional understanding of the concept.⁸ And therefore further explanations on this issue are provided in later parts.

1.2 Focus of problem

Primarily, this work focuses on the process of national culture, which is in itself not a simple issue. Secondly, it focuses on Knowledge Management process, which is an important subject as well. The authors tie together the two concepts in one project to study where these two interconnect and how one affects the process of another.

To offer a more concrete view on the subject the focus is narrowed to the study of Turkish small and medium-sized companies working in Sweden, a culturally different context.

Figure 1: Problem of the Research



⁸ For the definition refer to Glossary. Concerning this definition the authors accept that this process may occur in oral and written forms. Since oral is one of the forms of the process, they accept that Knowledge Management exists in SMEs, based on their assumptions provided in theoretical framework part.

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There are as many studies written on the impact of national culture on Knowledge Management as there are on the Knowledge Management practices in SMEs. The link between national culture and SMEs has also been explored in a great many investigations. However, on the link between these three concepts, there is no literature or in any case, no extensive one, which creates a challenging gap in research between these three concepts. In other words, these three concepts: Knowledge Management, national culture and SME previously have never formed parts of one research and thus provided an area of study which the authors of this research called a gap. This gap⁹ (study area in the interrelation of all three up-mentioned concepts), as shown in figure 1, motivated the authors to bridge the void in research and literature on the effect of national culture on Knowledge Management practices in SMEs.

1.3 Purpose and Theoretical Assumptions

The purpose of this research is to study the gap between the process of Knowledge Management, national culture, and SMEs. To reach this purpose the authors will study the case of Turkish SMEs¹⁰ working in Sweden by testing the three theoretical assumptions mentioned below.

The authors of this research divide the national culture into Resident Culture (here Sweden) and Visiting Culture (here Turkey) to facilitate the process of understanding and formulating the assumptions. Regarding Knowledge Management as a combination of processes which consist of knowledge creation, knowledge sharing,

⁹ The further elaboration on the gap will be provided in theoretical framework.

¹⁰ This study will be structured to describe the process of Knowledge Management in the SMEs and not to identify it. Therefore, the authors avoid deep elaboration of these concepts in research questions and will describe them in the theoretical and empirical parts.

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and knowledge exploitation (later application), the authors of this thesis will make the theoretical assumptions on the basis of cultural effects on each of the processes.¹¹

Basically, the research will try to provide a test of the following assumptions:

1. Visiting culture affects the Knowledge Creation in SME-s

Concerning the fact that the studied companies have managers with Turkish culture (or ethnically Turks) this study assumes that their culture will affect the knowledge creation process. Presumably this process depends mainly on the managers/owners, taking into account the small number of employees in the company. It is assumed that managers in SMEs have a big impact over the knowledge creation, especially in the case of Turkish culture.

2. Resident culture affects the Knowledge Application in SMEs.

As it is evident, today's competitive world is a customer-oriented one. Companies try to satisfy customer' needs, and meet their requirements. In general, the market shows a shift from market to the customer orientation. Managers of SMEs are not an exception. Consequently, working in Swedish environment presupposes focusing on Swedish consumers, people who live in Sweden, share Swedish values and culture. It is assumed that at this phase the culture of a country affects strongly Knowledge applications.

3. Hybrid of cultures affects the Knowledge Sharing in visiting culture' SMEs.

Although it is hard to explain in relation to SMEs, in the last assumption the authors of this research presume that foreigners working in Sweden interact greatly with

¹¹ Kogut, B. & Zander, U. (1992), Knowledge of the firm, combinative capabilities, and the replication of technology, *Organization Science*, 3, pp.383-397.

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Swedish culture portrayed by Swedish consumers and employees. However, having another cultural background, Turkish in the case of this study, can not dissipate and thus, at the stage of knowledge preserving and sharing, the two cultures, Swedish and Turkish, are creating a hybrid.

1.4 Delimitations

The criteria chosen for this study are that the companies under research have to be SMEs with a manager of different national culture than that of the country where the company operates. The cultures of Turkey and Sweden have been chosen arbitrarily, the only aspiration being having two contrasting cultures that would make the research results more visible and interesting. These two cultures belong to two broad groups of cultures¹² - Scandinavian and Mediterranean, and the results of the study are expected to fit to the other countries in these groups. However, for cultures from other groups the results could be slightly or greatly unlike, depending on how much they differ from the cultures chosen for this research.

Moreover, the authors of the research have chosen to study the link of national culture only on the key processes of Knowledge Management (creation, sharing, and application), disregarding other processes as seeking, filtering, and configuration.

For gathering information on the Knowledge Management practices within the studied companies, the authors will interview only the manager, who is expected to provide information representing the views of both his employees and consumers.

¹² For more information see theoretical part.

1.5 Disposition

This research is organized in six chapters meant to give a logical progression from problem and purpose to the conclusions based on the test of hypotheses.

I: The introductory chapter serves the purpose of presenting the problem, purpose and theoretical assumptions of the research. It gives a brief introduction into the concepts that would constitute the theoretical framework.

II: The methodological chapter will introduce the techniques that will be used for data collection. A special emphasis will be paid to a description of reliability and validity of the study.

III: The theoretical chapter will provide a framework for the analysis of the special cases under research. Its primary purpose is to introduce the reader with a definition and description of basic concepts used in the study, mainly Knowledge Management and national culture.

IV: The empirical findings chapter will comprise the material collected in the purpose of the study based on techniques described in the methodological chapter. The authors will provide a description of the companies, their Knowledge Management practices, as well as a general description of the Turkish and Swedish business cultures.

V: The analysis chapter will provide a test of the theoretical assumption. A model of Knowledge Management process in a cross-cultural context will be proposed and described.

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V: The last chapter will present a brief summary and conclusions of the research. It will introduce the incentives for future studies on the link between the process of Knowledge Management and national culture for companies and researchers.

Chapter II: Method

This chapter presents the methodological aspect of the research that will be used for collection of primary and secondary data. Moreover, it offers a design and method according to which the study will be performed and discusses the reliability and validity of the research.

2.1 Theory of Science

In accordance with its aim, this study is meant to contribute to the existing body of knowledge - science. Therefore, an explanation of science appears to be needed, to explain what kind of research the authors of this study intend to do and what kind of results the reader will get after studying this particular paper. To begin with, according to the Princeton University Thesaurus, ‘science’ is a “*domain of knowledge accumulated by systematic study and organized by general principals.*”¹³

However, there are numerous definitions of science. Since this research will develop particularly the existing knowledge by the way of data collection, it has adopted Kerlinger’s definition, whose view on the understanding of science coincides with the view of the authors of this research. Kerlinger sees ‘science’ as collecting information on particular activities and the process to obtain knowledge from it.¹⁴ Hence, according to him, scientific approach is a process of building theories (assumptions in

¹³ Princeton University Press, Retrieved on: 23th November, 2004 from: <http://pup.princeton.edu/titles/7615.html>

¹⁴ Kerlinger, F. (1973) “**Foundations of behavioral research**”, New York: Holt, p.15

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case of this research) through definite rules and methods (combination of existing knowledge to obtain and create new explanations to the existing knowledge).¹⁵ Consequently, scientific research is a systematic, controlled and empirical investigation of specific phenomenon (problem) emerging from basic assumptions and hypotheses.¹⁶

Logically, from above provided explanations, ‘science’ can be interpreted as an attempt to explain and understand the world with the consequence of knowledge creation. From these attempts, it is possible to distinguish between different ways of knowledge creation and to determine the validity of the knowledge created.¹⁷ Two different approaches, inductive and deductive, of how knowledge could be created are provided in next part.

Thus, the view of the authors of this research on ‘science’ is the creation of knowledge by the understanding and explaining of the outside world. This understanding or approach to science will be dominating the structure of the paper and future elaboration on these particular concepts of scientific methods will be done in the next parts.

¹⁵ Ibid.

¹⁶ Ibid

¹⁷ Arbnor, I & Bjerke, B. (1997), “**Methodology for Creating Business Knowledge**”, 2nd edition, Sage Publications, Thousands Oaks, USA, p.92

2.2 Scientific Approach to Knowledge Creation

2.2.1 Deduction vs. Induction

The main ways of conducting a research to create knowledge are inductive and deductive. Inductive research is when general rules are derived from a particular observation. In this induction, “*researchers conclude general laws from individual cases*”.¹⁸ According to Bryman, a theory itself may be the outcome of an inductive research. The aim is to draw generalizable conclusions out of study.¹⁹

When a conclusion is drawn from logical reasoning based on empirical studies it is said to be a deductive research. In other words, deduction is a knowledge creating method and by utilizing it, researchers infer “*single cases from general laws*”.²⁰ In deductive studies, researchers formulate hypotheses, which will then be examined with support of empirical data. However, it does not matter if the hypotheses are rejected or confirmed by the theory (from which the hypotheses were drawn), because upon the need the theory can be revised.²¹

Hence, the difference between these approaches is that the former creates the general rule, whilst the latter uses the existing rule to draw final conclusion.²²

According to Bryman, these approaches can be combined or mixed, representing thus an abductive approach. In other words, deduction (single cases from general laws) may as well entail induction (general laws from single cases) “*as the researcher infers the*

¹⁸ Ibid.

¹⁹ Bryman, A. (2001), “**Social Research Methods**”, New York: Oxford University Press, p.140

²⁰ Arbnor & Bjerke, Ibid, p. 93

²¹ Bryman, Ibid, p.141.

²² Ibid.

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implications of his or her findings for the theory”²³ that has driven the whole research. On the other hand, induction may also involve deduction to a small amount. “Once the phase of theoretical reflection on a set of data has been carried out, the researcher may want to collect further data in order to establish the conditions in which a theory will and will not hold”.²⁴

Briefly, according to the research techniques the authors of this research started with a study of the theoretical foundation. Later on, the theoretical assumptions have been developed and the case study has been considered as a technique to test the views of the authors of this research. Afterwards, by means of the test the authors aimed at creating a model or a study which will theoretically cover the existing gap between the three dimensions which are: national culture, Knowledge Management process and SMEs. In other words, according to previous Bryman’s statement, the authors started with the inductive approach shifting to the deductive one and again returning to the inductive approach which in summary describes the abductive approach.

2.2.2 Qualitative vs. Quantitative

There is an intense debate in the field of scientific knowledge on what research approach to use for data collection method. There are commonly two types of scientific approaches to data collection: the quantitative and qualitative method. The difference between these two methods lies in the area of applicability. Qualitative methods are often used when it is not meaningful to express the collected data in numbers. A quantitative method, on the other hand, would imply that the collected data can be expressed in numbers and analyzed with statistic tools.²⁵

²³ Ibid, p. 9

²⁴ Ibid, p.10

²⁵ Bryman, Ibid, p. 93

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Qualitative and quantitative information provide a different shape and style to each research, they vary in used information, obtained results, type of analysis and sources validity and reliability, content and features.²⁶ For example, reliability and validity of qualitative data lie on the perception, cleverness for asking the right questions, and integrity of the researcher. This type of research requires a balance between objectivity and personal interpretation, discipline and most of all, knowledge.²⁷

Figure 2: The difference in emphasis in qualitative versus quantitative methods

Qualitative Method	Quantitative Method
Emphasis on understanding	Emphasis on testing and verification
Focus on understanding from respondent's point of view	Focus on facts and/or reasons of social events
Interpretation and rational approach	Logical and critical approach
Observations and measurements in natural settings	Controlled measurement
Subjective "insider view" and closeness to data	Objective "outsider view" distant from data
Explorative orientation	Hypothetical-deductive; focus on hypothesis testing
Process oriented	Result oriented
Holistic perspective	Particularistic and analytical
Generalization by comparison of properties and contexts of individual organism	Generalization by population membership
Source: Based on Reichardt and Cook ²⁸	

In the early stages of this study, it became clear that it will be of a *qualitative* nature. The primary reasoning for that came from the difficulty to quantify both knowledge and culture, plus from an intention of the authors of this research to create a holistic view by an increased understanding of the link between national culture and

²⁶ Figure 2

²⁷ Ibid.

²⁸ Ghauri, P., Gronhaug, K. & Kristianslund, I. (1995), "Research Methods in Business Studies – A Practical Guide", London: Prentice Hall, p. 84

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Knowledge Management process. Moreover, the data collection techniques selected for this research, case study and interviews, are usually addressed by qualitative studies.

2.3 Research Position: Hermeneutics vs. Positivism

Research position is the way the authors use their findings, according to either a positivistic or hermeneutics school of science.

Positivism has rooted in the traditional science school and is associated with natural sciences. It seeks to discover laws by the use of quantitative methods.²⁹ In line with this approach, it is assumed that there is objective truth in the world. Positivism puts an emphasis on the measurement of relationships between variables in order to reveal that truth, the measurements being done in a systematic and statistical way. Moreover, positivism relies on objective observation, explanation, prediction, and the test of hypothesis.

Hermeneutics is associated with the interpretation of texts, relying on the development of a shared understanding and an analysis of events and situations. It emphasizes constructivist approaches, meaning that there is no clear-cut objectivity or reality.³⁰ Silverman advocated that the interpretative social science deals with observations and descriptions and aims to generate hypotheses from field research, whereas positivism is concerned with testing correlation between variables.³¹

²⁹ Silverman, D. (1993), “**Interpreting Qualitative Data: Methods for Analyzing Talk, Text and Interaction**”, London: Sage Publications, p. 91

³⁰ Cassell, C & Symon, G. (1994), “**Qualitative Methods in Organizational Research: A Practical Guide**”, Sage Publications, London, p.15

³¹ Silverman, Ibid, p. 21

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According to the literature, positivism is often related to the quantitative research, whereas hermeneutics is frequently related to the qualitative research. Thus, since we have adopted the qualitative nature of the study, consequently this research is rather hermeneutic than positivistic. It is the result of the way the data has been collected and related to the existing theory, without avoiding the reliability and validation of the information.

2.4 Type of Study

The type of study, or the research design, refers to the specification of methods and procedures to be used in answering research questions. According to Ghauri & Gronhaug, there are three types of research: exploratory, descriptive and causal research.³²

The exploratory research is utilized to gain ideas and insights to define the problem and suggest hypotheses. It is referred to when the problem is unclear, badly understood. This kind of research helps to increase the knowledge about the researched area. During exploratory research, new findings and information are discovered by observations.³³

The descriptive research, in contrast to the exploratory research, is used when the phenomenon is well structured and understood or already exists; the task to solve is clear. Differently from the previous one, this kind of research besides the observation requires a critical approach to the obtained information.³⁴

³² Ghauri & Gronhaug, Ibid

³³ Ibid.

³⁴ Ibid.

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The causal research is used when the problems under research are structured. The main tasks in causal research are to isolate cause(s), and to tell whether and to what extent ‘cause(s)’ result in effect. Both descriptive and causal research use structured problems.³⁵

As the goal of this thesis is to find out the interrelation between national culture and Knowledge Management process in SMEs, and the problem statement implies that the authors are aiming at understanding this unclear phenomenon, this research could be considered an exploratory study. It should therefore provide information on what is this phenomenon and why it arose.

2.5 Collection of Primary data

Since primary data is believed to be used to reach a specific research objective, which in our case is testing the theoretical assumptions, our primary data will be gathered using case study and interview techniques.

2.5.1 Case Study

The case study method, being one of the research strategies, will be applied mainly to provide information on the companies studied in this paper. A case study is an empirical inquiry that investigates the contemporary phenomenon within its real-life context; when the boundaries between phenomena are not clearly evident; and in which multiple sources of evidence are used.³⁶ Case studies are conducted by giving a special attention to totalizing in the observation, reconstruction and analysis of the

³⁵ Ibid.

³⁶ Yin, R. (1994), “Case Study Research: Design and methods”, 2nd Edition, p.23

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cases under study.³⁷ Thus, this method will permit the authors to gain an in-depth understanding of the researched companies and through them of the link between national culture and Knowledge Management process. The criteria the selected for investigation companies had to undergo were being SMEs, belonging to Turkish culture and operating in Sweden. The practical information about the companies which were selected as cases will be provided in the part on practical procedures.

2.5.2 Interviews

Interviews will be used to gather data on Knowledge Management practices within the Turkish companies under research. An interview is a survey method designed to collect extensive information from each respondent. It is an ordinary conversation, with one individual at a time that has been extended and formalized in order to collect data.

Keeping in mind the purpose of the research, the authors decided to interview the managers of Turkish SMEs in Sweden in order to provide information necessary for the test of assumptions. Moreover, the interviewed managers are expected to provide information that reflects the opinion of both their customers and employees. The process of interviewing implies not only asking questions but also a systematic recording and documenting of responses.

³⁷ Zonabend, (1992) in Hamel, J., (1993), "Case study methods", **Qualitative Research Methods**, Vol. 32, SAGE Publications, p.52

2.6 Collection of Secondary Data

The already existing data in form of books, articles and reports make the secondary sources, the use of which brings multiple advantages to the researcher. First of all, it helps the researcher to formulate and understand the research problem better, but it also broadens the base for which scientific conclusions can be drawn. In other words, the verification process is more rapid and the reliability of the information and conclusions is highly enhanced. Secondly, it can suggest suitable methods or data to handle a particular research problem. Moreover, it provides a comparison instrument with which the primary data can be easily interpreted and understood.³⁸

It must be kept in mind in case of the present research, that there are no extensive secondary sources on the link between the national culture and Knowledge Management process as experienced by SMEs. Thus, the secondary data collected will primarily help the authors to develop an understanding of the concepts involved in the research problem. Secondly, the literature overview will help the authors develop and elaborate their own ideas regarding the link between the national culture and Knowledge Management process in SMEs. Moreover, this technique will assist giving a description of the cultures under study.

A special attention will be paid to the choice of reliable secondary data in order to avoid biased results, especially in what regards the Internet data. Thus, to ensure the reliability of the study, only fore-front authors and titles have been used for the books. The articles consulted for this study have been selected from widely accepted and trustworthy journals, such as the Journal of Knowledge Management, Culture and

³⁸ Ghauri, P. et al, Ibid, p. 55

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Organization, Strategic Management Journal. The Internet sources have been selected based on their relevance to the researched subject as well as based on suggestions of the professorial staff of the University of Linköping.

2.7 Practical Procedures

2.7.1 Research Process

The process of this paper has been carefully selected and planned so that it will follow the logical sequence from formulation of theoretical assumptions to the test and conclusions of these assumptions. Thus, the first step has been the formulation of the theoretical assumptions, which has been done in accordance with the problem and purpose of the study. In order to have a practical sample to test the assumptions on, some SMEs belonging to the Turkish culture and operating in Sweden have been selected to serve as case studies for this research. Interviews with the managers of these companies are expected to provide primary data in form of information needed for the test of assumptions. Moreover, using the literature study technique, secondary data will be gathered to develop a theoretical foundation of the study, and give an overview of the existing theory and research in this field. Based on the same technique of literature study, data will be collected to give a description of the Turkish and Swedish cultures. All the data put together is expected to provide the necessary information for the test of assumptions. The results of the test will be compiled to form a model of the link between the national culture and Knowledge Management processes.

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2.7.2 Theory Development Process

For the selection of the theoretical framework the authors have undergone a serious debate between Hofstede's cultural dimensions and Gesteland's cross-cultural patterns. The choice has been made in favor of Richard Gesteland and his theoretical approach to cultural diversity.

Basically, the decision was based on the fact that Gesteland's cultural patterns address largely the cross-cultural business communication, and as communication is in a strong link with knowledge and some of its processes in particular, this approach seemed to fit better the purpose of the research. Moreover, Gesteland has a very simple approach to cultural understanding, targeting to those unfamiliar with the differences between cultures. Some claim that these differences are more visible in Gesteland's cross-cultural patterns. However, Gesteland himself acknowledges that his approach is not all-inclusive, being more of a guide to cultural diversity than an all-comprising encyclopedia to it. Even though, Gesteland covers all the needs of this research. Hofstede was considered less appropriate for this study because his data is more generalized to individual behavior than to national level data. Moreover, his cultural dimensions are attitudinal rather than behavioral measures, with no connection between employee attitudes and employee behaviors which is needed for this research.³⁹ Lastly, Hofstede's approach tends to focus more on business cultures and not on value/national cultures.

Since for the Culture it has been decided to focus of Gesteland, for the Knowledge Management process it has been decided to center the attention upon Kogut &

³⁹ Shenkar, O. & Yadong, L., "The Cultural Environment", Retrieved on: 21st November, 2004 from: <http://www3.interscience.wiley.com:8100/legacy/college/shenkar/0471383503/pptfigures/ch06.ppt>

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Zander. This choice has been made as a result of the fact that these authors, made a more concrete generalization which was applicable to the structure of this research. That entire theoretical base has been transferred to the context of SMEs, which were chosen as case study.

2.7.3 Selection Process

- Companies

The companies selected for this study had to satisfy certain definite criteria. The broadest one was that companies chosen for this research had to operate in Sweden and belong to the Turkish culture, meaning have founders/owners/managers of Turk ethnicity. Further on, these companies had to belong to the group of small and medium sized enterprises, and this has been achieved by measuring how these companies to fit the description of a SME. And lastly, the availability of information and the possibility to easily reach the company has played an important role in the selection of companies. Moreover, the consultations with Turkish Embassy in Stockholm, the Society of Turkish Businessmen (Turkiska Företagarnas Riksorganisation) and Babak Cultural Organization in Sweden, led the authors to a decision to focus on companies from different industries to serve the purpose of identifying some general patterns in the problem proposed by authors.

-Selection of interviewees

Keeping in mind the purpose of the research the authors decided to interview the managers and owners of Turkish SMEs in Sweden in order to provide information necessary for the test of assumptions. Moreover, the interviewed managers are expected to provide information that reflects the opinion of both their customers and

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employees. These persons were selected as a reason of their importance and long experience in companies. Interviewees were the most informed people about the processes within studied companies. The view of the others was as well considered during the research.

- References

Two criteria have been used for the selection of references – the importance for the authors, and the relevance to the subject for titles. Thus, only the fore-front authors writing on Knowledge Management and national culture have been used, their works being acknowledged as having a major scientific impact on these subjects. Almost all authors used for the literature on Knowledge Management are among the “Top 50 most influencers of Knowledge Management”⁴⁰ such as Nonaka (the guru of Knowledge Management), Malhotra, Davenport and Prussak, Sveiby, Weick, Wigg and others. The same principle was used for the literature on national culture (Hofstede, Fukuyama, Gesteland) and methodology (Yin, Bryman, Cooper and Schindler). For the identification of importance of the scholars, besides previous knowledge of the authors writing this research, various classifications have been used, as well as consultations with the professors of University of Linköping.

The titles and subjects were selected for this study depending on their relevance to the researched problem. Thus, the authors have consulted the literature on Knowledge Management and national culture in general, as well as the literature that refers to various aspects of these concepts. The use of various or concepts related to the basic concepts can be noticed especially in the regard of Knowledge Management. For instance, the authors of this research have referred to the literature on organizational

⁴⁰ Knowledge Board, “**Top 50 Influencers of Knowledge Management**”, Retrieved on: 21st November, 2004 from:<http://www.knowledgeboard.com/cgi-bin/item.cgi?id=122764&d=pnd>

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learning, and innovation. The reason for this is the direct relation between these concepts and Knowledge Management, such as Knowledge Management being at the foundation of organizational learning and the driving force of innovation. Thus, organizational learning is an area of Knowledge Management within organizational theory that studies models and theories about the way an organization learns and adapts.⁴¹ Innovation is a process through which economic or social value is extracted from knowledge ... through the generation, development and implementation of ideas ... to produce new or significantly improved products or processes.⁴²

- Methods

The case study method has been chosen as one of research strategies of this paper as it gives a deeper understanding and a more practical view of the studied research problem. Moreover, this method permits studying the problem intensively in a real context, by performing an analysis of a certain and specific case. Being a qualitative research method, the case study is a preferred strategy when the researcher is interested in finding answers to the why and how questions. Thus, for all the up-mentioned reasons the case study method appeared to be appropriate for our study.

Interviews have been selected as a data collection technique for this research as they are able to provide in-depth information about a particular research question. It is as well a qualitative method and it permits gathering a broad range of information from a limited number of subjects. Thus, this method is appropriate as it allows understanding the big picture of the studied problem.

⁴¹ Therin, F. “**Organizational Learning and Innovation**”, Retrieved on: 21st November, 2004 from: <http://csdl.computer.org/comp/proceedings/hicss/2003/1874/04/187440114a.pdf>

⁴² Conference Board of Canada, “**Innovation and Knowledge Management**”, Retrieved on: 21st November, 2004 from: <http://www.conferenceboard.ca/inn/>

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The literature study or review has been selected for this research as it is a very important research method in many aspects. Firstly, if the literature chosen is reliable it provides expertise for the concepts used in the paper, as for instance the theoretical concepts. Secondly, the literature review provides insights on whether the area studied is a new one or there have been extensive researches done in this field before. And thirdly, the literature study could serve a “pool of intelligence” that the authors could use to develop further their understanding of the matter under research.

2.7.4 Interview Guides

The interview guides have been designed to provide a format that will help follow the interviewing process systematically. They have been created in strict accordance with the purpose of this research. Thus, firstly the information required has been defined, so that it will clearly relate to the specific questions that we as researchers were seeking to answer. Secondly, detailed questions were prepared and reviewed with the academic staff of Linköping University and the client, to ensure a full understanding of the questions.

2.7.5 Interviews' Procedure

The interviews have been conducted with the managers and owners of the companies selected to be researched in this study. Two of them took place in Stockholm, and one in Linköping, the time and place of the interview being confirmed with the respondents. Two interviews have been conducted in Elitex - with the owner and the manager, since the manager was responsible for the internal affairs in Sweden and the owner was responsible for product provision – external affairs. The actual interviews included three main parts. The first part involved introducing the study and ourselves

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in order to establish a rapport with the respondent. The second part took rather the form of knowledge sharing than of structured interviewing, where respondents described the situation in their companies on the base of provided information. Thus, the interviews of this research were more of consultations with interviewees, revolving around questions linked with the purpose of this study. Finally, the third part involved reviewing the answers with the respondent to ensure that the interviewers (the authors of this research) have understood correctly what was meant by the interviewee.

2.8 Reliability and Validity

To guarantee the quality of the research, it is essential to ensure validity and reliability of the study, which means performing the study in a right way.⁴³ Reaching these notions brings as well the credibility to the research. As this research is a qualitative one, the notions of reliability and validity have a different dimension here than in a quantitative research. The authors who chose to use the qualitative method become the instrument of the analysis and measurement. They gain automatically more freedom and responsibility for the operation than the authors using the quantitative method.

2.8.1 Reliability

The reliability of research results can be determined by the extent to which another researcher could obtain the same results, using the same ways and data as the other.⁴⁴ Although some social researchers argue that a concern for reliability arises only

⁴³ Yin, Ibid., p.30

⁴⁴ Ibid.

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within the quantitative research tradition, reliability can be as well addressed in qualitative studies. In qualitative research the reliability issue is concerned with whether the results are consistent with the collected data and the researcher.⁴⁵

It is obvious that the beliefs, values and norms of a person who makes the research will influence the interpretations. This issue raises the importance of how was the research conducted. Since the present study tried to avoid the impact of influences, it made sure that different techniques will be used to avoid future misunderstandings. In this context it is obvious that later researchers undertaking the same case study, following the same procedures and using the same documentation as this research, will most certainly arrive at the same findings and conclusions.

Hence, we have tried to maximize the reliability of our study by describing the process and methods used in detail, so that they may be replicated in future. Moreover, we addressed with a high degree of seriousness the interviews, ensuring that each respondent understands the questions in the same way and the answers can be coded without the possibility of uncertainty. This has been achieved through a number of means, such as a pre-testing of interviews schedules and a use of fixed-choice answers. In addition, the information gathered by means of interviews has been analyzed by each author separately and has been compared later.

Moreover, by explaining how the data has been collected, by providing basic explanations for analysis and by presenting the empirical data to the reader, we aimed at making him able to judge by himself whether the results of the research are related with the data collected or not.

⁴⁵ Merriam, S.B.(1998), “**Qualitative Research and Case Study Applications in Education**”, San Francisco: Jossey-Bass Publishers, p.45

2.8.2 Validity

According to Hammersley validity means “*truth: interpreted as the extent to which an account accurately represents the social phenomenon to which it refers*”.⁴⁶ The validity criteria are also considered more appropriate in quantitative studies. However, this research has tried to use some forms of validation that can fit qualitative researches. Different kinds of data and different methods have been compared by the authors of this research to see whether they support one another. This form of comparison, called triangulation, derives from navigation, where different bearings give the correct position of an object.⁴⁷ Another technique used has been taking the findings of the research back to the subjects being studied. Where these people, the managers of SMEs in our case, verify the findings of the research, it is argued that the authors can be more confident of their validity. This method is known as respondent validation.⁴⁸

⁴⁶ Hammersley, M. (1990) “**The Dilemma of Qualitative Method: Herbert Blumer and the Chicago Tradition**”, London: Routledge, p. 57

⁴⁷ Silverman, Ibid, p.156

⁴⁸ Ibid. p.156

Chapter III: Theoretical framework

The purpose of this chapter is to describe the theoretical basis of the research, and introduce the basic concepts and notions to the reader. Therefore, it will describe the process of Knowledge Management, define National Culture as well as examine the theoretical link between these two concepts.

3.1 National Culture

The authors of this research believe that the cultural factors create the biggest difficulties in an international context making a thorough examination of diversities between national cultures indispensable. The multilayered structure of culture, which establishes the diversity of its functions in the life of every society, imposes taking into consideration the factors of cultural environment.

The multitude of interpretations and manifestations of culture create a definitional quagmire, making the definition of culture extremely difficult. For instance, Kroeber and Kluckhohn have identified 164 different definitions of this concept.⁴⁹ They have also given one of the most widely accepted definitions of culture:

Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievement of human groups,

⁴⁹ Kroeber, A.L. & Kluckhohn, C., (1952). In: Holden, N.J. (2002), Culture: A critical review of concepts and definitions, Harvard University Press: Cambridge, MA, Cross-Cultural management: A Knowledge Management perspective. **Financial Times**, Prentice Hall: Harlow.

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including their embodiment in artifacts; the essential core of culture consists of traditional ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements of future action.⁵⁰

Geert Hofstede has defined culture as the collective programming of the mind which distinguishes the members of one group category of people from another.⁵¹ He also distinguishes between personality, culture and human nature by a model that demonstrates the programming of the human mind. According to this model, the personality is inherited and learned, and it is specific to the individual. The human nature accordingly, is universal and it is inherited. Consequently, culture is learned, and not inherited. It derives from one's social environment, not from one's genes.⁵²

The multitude of definitions on culture shows however, some common themes and characteristics as specified below:

- The members of a culture system share a set of ideas, and especially, values
- These are transmitted (particularly from one generation to another) by symbols
- Culture is produced by the past actions of a group and its members
- Culture is learned
- Culture shapes behavior and influences one's perception of the world.

⁵⁰ Ibid

⁵¹ Hofstede, G. (1991), "**Cultures and Organizations**", McGraw-Hill, London, p.75

⁵² Ibid.

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The large number of cultural functions mentioned above, could be reduced to three functions of culture that are emphasized among others – the informative, cognitive and normative. The informative function consists in the fact that culture, representing a complex database, is the only means of transferring social experience from a generation to another, from a country to another. That is why culture is considered the social memory of mankind.⁵³

The cognitive function is closely related with the informative function, and to an extent builds up from it. Concentrating in itself the best social experiences of many generations, culture acquires the ability to accumulate the richest knowledge about world and by this creates benefic opportunities for its cognition and assimilation.⁵⁴ Thus, a society is considered intelligent to the extent to which it uses the valuable knowledge contained by the cultural gene-bank of mankind. All types of societies are distinguished above all by this ability.

The normative function of the society is linked in particular with a detection of various sides and types of social and personal activity of people. In some spheres, as interpersonal relations, culture affects in a way or another, the behavior of individuals and regulates their actions and choices.⁵⁵ This function of culture is supported by such normative systems as moral and law.

Being a multifunctional phenomenon, culture and all its functions are directed towards the development of man. Culture does not exist outside the individual, thus one of the possible subdivisions of culture is using the holder of it as a pattern. Here,

⁵³ Gordeev, R. (1998), Kross-kul'turnye prolemy mejdunarodnogo menegmenta, "**Management v Rossii i za rubejom**", (Cultural problems of international business, "Management in Russia and abroad"), No.1, p. 7

⁵⁴ Ibid, p.8

⁵⁵ Ibid. p.10

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global and national cultures are distinguished. Global culture is the synthesis of the best achievements of all national cultures of different nations inhabiting our planet.

National culture in its turn is the synthesis of cultures of different layers and groups of one society. The individuality of a national culture, its originality and unique qualities, are expressed in the spiritual and material spheres of life and activity. The awareness of belonging to a culture is quite high among individuals, thus it is often easy to spot the differences between national cultures. One aspect that distinguishes national culture from other types of culture is that the individual is born within it and is influenced by it his entire life. Thus, the national culture is difficult to change.⁵⁶

3.2 Patterns of National Culture

One way of distinguishing and comparing between cultures is by measuring them along certain general patterns. The knowledge of these patterns permits reducing the sensitivity linked with the diversities that divide cultures. To meet the purpose of this research the authors will use the cultural patterns of Richard Gesteland⁵⁷, and will explain them referring to the business aspect of culture. Thus, the cultural characteristics are classified in four sets of logical patterns:

- Deal-focused vs. Relationship-focused cultures
- Informal vs. Formal cultures
- Rigid-Time vs. Fluid-Time cultures
- Emotionally Expressive vs. Emotionally Reserved cultures

Deal vs. Relationship focused cultures

⁵⁶ Hofstede, Ibid, p.18

⁵⁷ Gesteland, R. (2002), “**Cross-Cultural Business Behavior: Marketing, Negotiations, Sourcing, and Managing Across Cultures**”, Copenhagen Business School Press, pp.15-111

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The deal-focused business cultures are usually task-oriented. People of this culture prefer direct business rapport that excludes the necessity of establishing a personal relationship before getting down to business. The communication style preferred is direct and frank, using a straightforward and unambiguous language. Deal-oriented cultures rely on written agreements to prevent misunderstanding and solve problems putting a very low importance on relationships.

The relationship-focused culture, in its turn, is people-oriented, preferring deal with persons familiar to them. Thus, it is important to establish a personal contact before starting a business together. The relationships and recommendations are of a great importance as people rely on them more than on written agreements. In what regards the communication style, relationship-oriented cultures prefer a more indirect and subtle style. This description can be attributed to different regions and countries which are showed in the tables provided below.

Table 3: Deal-focused vs. Relationship-focused Cultures⁵⁸

Deal-focused Cultures	Moderately Deal-focused Cultures	Relationship-focused Cultures
Nordic and Germanic Europe	Great Britain, South Africa	The Arab World
North America	Latin Europe	Most of Africa
Australia and New Zealand	Chile, southern Brazil, northern Mexico	Latin America
	Central and Eastern Europe	Asia
	Hong Kong, Singapore	

⁵⁸ Ibid

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Informal vs. Formal cultures

Informal cultures are egalitarian ones with a low consciousness of status. In these cultures the informal behavior or the use of names instead of titles or family names is not seen as disrespectful.

The formal cultures, on the contrary have a high-status consciousness, being considered also hierarchy cultures. People belonging to these cultures value status, title, some protocol rules and formal style of communication.

Different countries and regions, which are presented in the table 4, can be related to these types of cultures.

Table 4: Informal vs. Formal Cultures⁵⁹

Informal Cultures	Formal Cultures
Australia, USA, Canada	Most of Europe and Asia
New Zealand	The Mediterranean Region of the Arab World
Scandinavian countries	Latin America
Iceland	

Rigid-time vs. Fluid-time cultures

Rigid-time cultures are monochronic, valuing punctuality as a critical dimension of business-making. People belonging to this culture are very clock conscious and almost never interrupt their meetings. The schedules and deadlines are fixed and rigid.

⁵⁹ Ibid

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Fluid-time cultures are polychronic, where people put less emphasis on strict punctuality and are not obsessed with deadlines. Loose scheduling is valued as well as meetings may be interrupted or started much later than expected. Thus, people of this culture take a relaxed approach towards clock and time.

The monochronic, moderately monochronic and polychronic cultures can be attributed to the regions presented in the table 5.

Table 5: Rigid-time vs. Fluid-time Cultures⁶⁰

Monochronic Cultures	Moderately Monochronic	Polychronic Cultures
Nordic and Germanic Europe	Australia, New Zealand	The Arab World
North America	Russia and most of East-Central Europe	Most of Africa, Latin America
Japan	Southern Europe	South and Southeast Asia
	Singapore, Hong Kong, Taiwan, China, South Korea	
	South Africa	

Emotionally Expressive vs. Emotionally Reserved Cultures

Expressive cultures are distinguished by an active verbal, paraverbal and nonverbal communication. People belonging to this culture talk loudly, use frequently arm gesticulation and an intense eye-contact.

⁶⁰ Ibid

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People belonging to reserved cultures use a more inactive type of communication. They speak softly, use little eye contact, and few arm gestures.

The examples of these cultures can be seen in the table 6.

Table 6: Expressive vs. Reserved Cultures ⁶¹

Very Expressive Cultures	Variably Expressive	Reserved Cultures
The Mediterranean Region	USA and Canada	East and Southeast Asia
Latin Europe	Australia and New Zealand	Nordic and Germanic Europe
Latin America	Eastern Europe	
	South Asia, Africa	

3.3 Knowledge Management

The modern business world is currently moving toward a “knowledge era”, knowledge becoming recognized as one of the organization’s most valuable assets, a rich and powerful recourse that can lead to a wide range of benefits such as strong source of competitive advantage. Therefore, as it is obvious, the concept of Knowledge Management gains an increasing importance in the modern business arena.

Knowledge Management is a complex and difficult area to define. Hlupic, has previously found eighteen definitions of Knowledge Management, all of which

⁶¹ Ibid

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differ.⁶² Another expert, Barth, said “Put 10 ‘Knowledge Management’ experts in a room, and you are likely to get 30 [different] definitions”⁶³

Definitions of Knowledge Management range from labeling it as a new information management, to view it simply as document repository. Therefore, several definitions of Knowledge Management will be given in this work to explain the issue better.

Firstly, according to Willard Knowledge Management is a “broad label”; he suggests that it is wise to “best fit” Knowledge Management to your organization or situation. “Knowledge Management starts as an attitude of mind, a perspective, and is the underlying principle behind the ‘one company’ approach. It is not money that makes the world go around; it is knowledge”.⁶⁴

On the other hand, Malhotra claims that there is “not yet a common consensus” in what regards the concept of Knowledge Management. He goes on to say that “we are observing that organizations are becoming more aware of the value of knowledge that resides in peoples heads”⁶⁵. He explains it further by recognizing that the creation of skill sets is often encouraged by human resources, whilst the ‘bean counters’ attempt to translate intangible assets to money in the company accounts.⁶⁶

⁶² Hlupic, V., Pouloudi, A. & Rzevski, G. (2002) in Bouthillier, F. & Shearer, K. (2002), Towards an integrated approach to Knowledge Management: hard, soft, and abstract issues, Knowledge and Process Management, 9(2), pp.90-102 in Understanding Knowledge Management and information management: the need for an empirical perspective, **Information Management**, Vol. 8, No.1, paper no. 141, Retrieved on: 21st November, 2004 from: <http://InformationR.net/ir/8-1/paper141.html>

⁶³ Barth, S.(2002), Defining Knowledge Management, **Destination Knowledge Management** Retrieved on: 12th November, 2004 from: <http://www.destinationKnowledgeManagement.com/articles/default.asp?ArticleID=949>

⁶⁴ Willard, N. (1999), Knowledge Management: Foundation for a Secure Structure, **Aslib Managing Information**, June, 6/5, p.45

⁶⁵ Ibid.

⁶⁶ Malhotra, Y. (1997), “**Current Business Concerns and Knowledge Management**” Retrieved on: 25th November, 2004 from: <http://www.brint.com/interview/times.htm>

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Alternative views of Knowledge Management exist, such as the analogy to an extended library, which involves combination of internal and external information.⁶⁷ Another is viewing Knowledge Management as an expansion of artificial intelligence, where “knowledge is viewed as information”⁶⁸.

Therefore Knowledge Management could be viewed as, “... a conceptual framework that encompasses all activities and perspectives required for gaining an overview of creating, dealing with and benefiting from the company’s knowledge assets and their particular role in support of the company’s business and operations”.⁶⁹ This opinion is supported by Willard, who points out that: “Knowledge Management” is the composite management of people, processes and information”.⁷⁰

However, Allee defines Knowledge Management as “much more than managing the flow of information. It means nothing less than setting knowledge free to find its own paths. It means fuelling the creative fire of self questioning in organizations.”⁷¹ This viewpoint puts a slight emphasis on the importance of knowledge as a resource, or gives it a resource-based view. This is an opinion shared by Kidwell et al., who states that “the challenge in Knowledge Management is to make the right knowledge available to the right people at the right time”.⁷²

⁶⁷ Alvesson, M. & Kärreman, D. (2001), Odd couple: Making sense of the curious concept of Knowledge Management, **Journal of Management Studies**, November, 38/7, pp. 995 – 1018.

⁶⁸ Hildreth, P.J. and Kimble, C. (2002), The Duality of Knowledge, **Information Research**, vol. 8, No.1, paper no. 142. Retrieved on: 25th November, 2004 from: <http://InformationR.net/ir/8-1/paper142.html>

⁶⁹ Wiig, K.M. (1995) in Andréasson, M. & Svartling, A. (1999), “**Knowledge Management Methods: Practical approaches to managing knowledge**” in The Balanced Scorecard -A tool for managing knowledge?, Retrieved on: 25th November, 2004 from: http://www.handels.gu.se/epc/archive/00001973/01/Andreasson_1999_7.pdf

⁷⁰ Willard, Ibid, pp.45-49

⁷¹ Allee, V. (1997), “**The Knowledge Evolution: Expanding organisational intelligence**”, Butterworth-Heinemann, Newton, p.23

⁷² Kidwell, L.J., Vander Linde, K.M. and Johnson, S.L. (2000), Applying Corporate Knowledge Management Practices in Higher Education, **Educause Quarterly**, No. 4, 2000. Retrieved on: 19th November, 2004 from: <http://www.educause.edu/ir/library/pdf/EQM0044.pdf>

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Destination Knowledge Management, an online Knowledge Management magazine, has a working definition that “*Knowledge Management refers to strategies and structures for maximizing the return on intellectual and information resources. Knowledge Management depends on both cultural and technological processes of creation, collection, sharing, recombination and reuse*”.⁷³ This is an all encompassing view, one that contains aspects of most areas of an organization. It takes account of both cultural and technological aspects of Knowledge Management, and acknowledges that there are many processes involved in it.

This research will use Barth’s definition to focus mainly on Knowledge Management as a process, particularly in SMEs. A description of the Knowledge Management practices in SMEs will be given with the intention of enlightening this perspective.

3.4 Knowledge Management in SMEs

In order to explain Knowledge Management in SMEs the authors have chosen to focus on the base of SMEs - entrepreneurship. Each SME has a manager/entrepreneur, a person who brings sources together in order to create value in the frame of the company. That is supported by Shane, who views entrepreneurship as the process of creating value by bringing together a unique packet of resources to exploit an opportunity. This definition emphasizes the entrepreneurial process and allows for legitimate examination of all the factors that impact the creation, recognition, evaluation and exploitation of resources in new ventures, whether inside an existing firm or in a new firm.⁷⁴ Since early researchers were focused on personal

⁷³ Barth, (2002), Ibid.

⁷⁴ Shane, S. A. (2000), Prior Knowledge and the Discovery of Entrepreneurial Opportunities, **Organization Science**, vol. 11, pp. 448-70.

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characteristics of the entrepreneurs, many of the interesting questions regarding entrepreneurial behaviors and processes have just begun to be explored.⁷⁵

Moreover, Hayek argued that knowledge is unevenly distributed throughout society, since different individuals have access to different knowledge. The main problem is how to find the best use of the resources that are known only to an individual in society for a purpose that only that individual knows. A free market capitalist system is the most efficient and effective system for converting knowledge into new products and services, according to Hayek. He continues that individuals have bounded rationality and limits to their knowledge.⁷⁶ This suggests that attention should be paid to knowledge processes that help in discovery, evaluation and exploitation of opportunities⁷⁷. Zahra, Nielsen and Bogner suggest that corporate entrepreneurship is a source of organizational learning, which drives knowledge creation that in turn becomes new organizational competences.⁷⁸ Bird, Hayward and Allen agree that commercializing knowledge is an important role of entrepreneurship.⁷⁹

Briefly, managers of SMEs use knowledge to create commercial products through the different processes. That means, they use or manage the knowledge in a certain way and are directly involved into the Knowledge Management process which is a part of Knowledge Management. Therefore, the authors of this research consider the process of Knowledge Management an important concept which will be reviewed in the next part of the study.

⁷⁵ Thornton, P. H. (1999), The Sociology of Entrepreneurship, **Annual Review of Sociology**, vol. 25, pp.19-46

⁷⁶ Hayek, F. A. (1985), The Use of Knowledge in Society, **American Economic Review**, vol. 35, pp.519 –530.

⁷⁷ Shane (2000), Ibid

⁷⁸ Zahra, S. A. Nielsen, A. P. & Bogner, W. C. (1999), Corporate entrepreneurship, knowledge, and competence development, **Entrepreneurship: Theory and Practice**, vol. 23, p.169.

⁷⁹ Bird, B. J. Hayward, D. J. & Allen, D. N. (1993), Conflicts in the commercialization of knowledge: Perspectives from science and entrepreneurship, **Entrepreneurship Theory and Practice**, Summer, pp.57 – 77.

3.5 Knowledge Management Process

If knowledge is one of the key resources capable of creating sustainable competitive advantage, then it is important to examine how firms manage knowledge. Firms must be intentional in order to manage knowledge strategically. Knowledge should be included in the top-level strategy as well as in middle and lower level objectives.⁸⁰

Kogut & Zander suggest that the primary challenge of the firm is to create and transfer knowledge efficiently. To this view the authors would add that firms might consider as well exploiting/applying that knowledge by converting it into new products and services, which Kogut & Zander refer to as combinative capabilities.⁸¹ Hence, this paper will consider three key knowledge processes that are consistently referred to in the literature: knowledge creation; knowledge sharing; and knowledge exploitation.

3.5.1 Knowledge Creation

The first stage of Knowledge Management process is the creation process, which involves the factors that go into creating new knowledge. This process also could be called exploration⁸², combination⁸³ or sense-making.⁸⁴ Each of these provides some key factors, processes and tensions that fit into the creation of knowledge. There are many views on how the individuals create knowledge. However, it is widely agreed

⁸⁰ Floyd, S. W. & Wooldridge, B. (1999), Knowledge creation and social networks in corporate entrepreneurship: The renewal of organizational capability, **Entrepreneurship: Theory & Practice**, vol. 23, p.123.

⁸¹ Kogut. & Zander (1992), Ibid, pp.383-397.

⁸² March, J. G. (1991), Exploration and exploitation in organizational learning, **Organizational Science**, vol.2, pp.71-87

⁸³ Nonaka, I. & Takeuchi, H. (1995), **The Knowledge-Creating Company**, New York: Oxford University Press, p.67

⁸⁴ Weick, K. E. (1993), The collapse of sensemaking in organizations: The Mann Gulch disaster, **Administrative Science Quarterly**, vol. 38, pp. 628-652

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that knowledge is created through intuitive connections between existing knowledge or through interaction with others in the case of individuals.⁸⁵

3.5.2 Knowledge Sharing

The knowledge sharing process has been studied and looked upon from different perspectives. But as has been already mentioned there is an agreement that this is a key-part of the knowledge process. Grant refers to the transferability of knowledge within firms and between firms.⁸⁶ On the other hand, Nonaka & Takeuchi explain the socialization/externalization, combination/internalization processes that transfer knowledge to other organizational members.⁸⁷

Many other researchers have also examined the factors that motivate workers to share knowledge with each other. It is a commonly agreed opinion that knowledge resources become more valuable when they are shared, but they are difficult to share.⁸⁸

3.5.3 Knowledge Application

The final process that has received significant attention is the exploitation of knowledge. Nonaka & Takeuchi refer to this process of converting knowledge into valuable products as the exploitation/application (the authors of this research will

⁸⁵ Crossan, M., Lane, H. W. & White, R. E. (1999), An organizational learning framework: From intuition to institution, **Academy of Management Review**, vol. 24, pp.522-537.

⁸⁶ Grant, R. (1996), Toward a knowledge-based theory of the firm, **Strategic Management Journal**, vol.17 (Winter Special Issue), pp.109-122.

⁸⁷ Nonaka I & Takeuchi (1995), Ibid

⁸⁸ Szulanski, G. (1996), Exploring internal stickiness: Impediments to the transfer of best practice within the firm, **Strategic Management Journal**, vol. 17(Special Issue), pp.27-43.

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refer to it as an application in order to provide simplicity for the reader) process.⁸⁹ That process is facilitated through dynamic, flexible systems that allow shared ideas to be converted into products.

Thus, the process of Knowledge Management, consisting of creation, sharing and application stages, is used by entrepreneurs and SMEs to circulate knowledge to achieve a final product.

3.6 The Link: Knowledge Management process and National Culture in SMEs

The importance of both culture and knowledge in the modern world are undeniable. Even if it is easy to claim that the link between these two concepts exists, the direct impacts and linkages are not easy to be observed.

Literature presents several indications in on the link between Knowledge Management and National Culture. Several authors agreed and point on the fact that culture is a tool in the Knowledge Management process. That comes from the viewpoint that knowledge is shared collectively in the firms in the form of routines, culture and know-how.⁹⁰ Moreover, in SMEs the providers of the ideas are mainly the founders who have in their heads the most valuable assets they possess. Thus, the management of knowledge in SMEs is mainly under the influence of the managers/entrepreneurs, who are on their turn, obviously under the cultural influence.

⁸⁹ Nonaka I & Takeuchi (1995), Ibid

⁹⁰ Nahapiet, J. & Ghoshal, S. (1998), Social Capital, Intellectual capital and the Organizational Advantage, **Academy of Management Review**, vol. 23, pp.242-266

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On the other hand, both internal and external sources of knowledge are important to entrepreneurs. Internal knowledge comes from reorganizing, accidents, experiments, and inventiveness. For example, social networks provide a forum for informal sharing between firms (trade associations, friends, university programs, and college friends' network). Aldrich argues that the diversity of contacts and strength of ties impacts the value of opportunities.⁹¹ The more diverse the ties are the more information can be shared, since the ties allow greater access to information. Direct ("strong") ties are a source of more information. However, weak ties are important as well. Floyd & Wooldridge argue that knowledge creation and social networks impact corporate entrepreneurship.⁹² External knowledge comes from new people, acquisitions, joint ventures and social networks.⁹³ In particular, individuals with casual or "weak" ties with individuals outside the firm provide a valuable source of new knowledge to the firm, often stimulating entrepreneurial development. This concept could be applied to smaller firms as well.

In other words, the process of Knowledge Management occurs under the influence of different factors, which may be external and/or internal. However, all these happen as a result of human interaction, who is the initial carrier of the national culture. Thus, in one single environment it is possible to observe influences of different cultures on the Knowledge Management process, which as was mentioned previously, are mainly under the control of the managers/owners in SMEs.

Therefore, in summary, the authors found that there is a weak link between the Knowledge Management process and national culture in SMEs. According to

⁹¹ Aldrich, H. E. (1999), "**Organizations Evolving**", Thousand Oaks, CA: Sage., p.72

⁹² Floyd, & Wooldridge (1999), Ibid, p.123

⁹³ Kogut & Zander (1992), Ibid

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previous explanations there are several factors in enterprises, and the national culture is among those factors which have an impact over the Knowledge Management as a whole. This effect, directly or indirectly, transforms into the Knowledge Management process. Based on that interrelation the authors aim to identify/create a theoretically supported base for the co-relation in SMEs. In other words, the authors aim to transform that basic theoretical interrelation into the context of SMEs and provide an empirically supported research. Therefore, the authors will consider Gestelands' features of national culture and will try to identify them in the process of Knowledge Management in SMEs. In SMEs there is a small number of employees which can have a big cultural effect on the different processes. Knowledge Management process will be studied intentionally to identify one of the hidden factors – the importance of national cultures.

Briefly, this research will determine the Knowledge Management process in case companies - SMEs. Later, the study is expected to identify the cultural features in each separate stage. The combination of these is supposed to provide a model of national culture's interrelation with the Knowledge Management process in SMEs as a result of case study.

Chapter IV: Empirical findings

This chapter aims to present the empirical findings collected from books, interviews and observations in accordance with the theoretical part of the research.

Therefore, this part starts with the description of two cultures, continues with the empirical findings related to the Knowledge Management process from the case companies and ends with a linkage of previous parts.

5.1 Descriptions of Cultures

The reason for the empirical part of a research is to collect and sort data in a way that would help providing the findings needed by the purpose of the study, corresponding at the same time to the theoretical framework of the same study. Ghauri et al state that studies could be considered empirical, if they imply the gathering and use of data.⁹⁴ Dividing the data into secondary and primary they imply that studies should begin with the secondary data, and only when the secondary data are exhausted, proceed to primary.

Keeping in mind the above mentioned explanations and considering the fact that the aim of this research lies not in providing a description and explanation of cultures, the authors of this research have applied Richard Gesteland's research as a secondary data

⁹⁴ Ghauri et al (2002), Ibid, p.41

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that will help organizing the findings corresponding to the true aim of this study. Hence, the description of cultures will start with the description of visiting culture – in our case the Turkish culture, where the authors will provide explanations of characteristics of Turkish culture. Later, this description part will continue with the description of resident culture – in this particular case – Swedish.

Since this study aims mainly at describing the cultures according to Gesteland, the authors find it unnecessary to provide the criticisms to this description. Observing the same patterns in case companies helped the authors once again to support Gesteland's generalization and grouping. However, since the authors have studied limited cases, their findings may be found not enough to support Gesteland's descriptions.

Hence, the authors will start with the description of Turkish culture according to the Richard Gesteland's explanations.

5.1.1 Turkish Culture

In line with the cultural patterns of Richard Gesteland related to the geographical regions of the world, the Turkish culture, belonging geographically to the Mediterranean region, is characterized by being relationship-focused, formal, polychronic, expressive. Other cultures making part from the same group of cultures are the Arab, Greek, and Egyptian.

Turks are relationship oriented, as it is difficult to make business with them without having a previously established contact. They prefer to deal with family, friends, and

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persons or groups well known to them - people who can be trusted.⁹⁵ This feature, combined with the strong Muslim heritage, explains a big amount of family businesses in Turkey. Despite a high degree of officialdom preferred in communication, Turks are friendly and hospitable people.⁹⁶

The high degree of officialdom preferred in business communication and behavior, and a significant importance given to hierarchies, status and gender, permits characterizing Turks as formal. In corporations the decision-making is strictly hierarchical, the decisions being usually made at the top of the organization. In family businesses the senior male usually makes the final decision, consulting other family members as needed.⁹⁷

Unusually for a Middle Eastern business culture, Turks are relatively punctual for meetings. Still, they could be catalogued as polychronic rather than monochronic, because they put less emphasis on strict punctuality and are not obsessed with deadlines.⁹⁸

Moreover, Turks are highly expressive, maintaining a good eye contact during business meetings, gesturing, and allowing for a smaller interpersonal space. The communication is affected by a certain amount of polite indirectness.

However, all before mentioned characteristics are greatly unlike in the culture described below, the Swedish one.

⁹⁵ Gesteland, R. (2002), Ibid, p.19

⁹⁶ Ibid, p.209

⁹⁷ Ibid, p.208

⁹⁸ Ibid, p.57

5.1.2 Swedish culture

The Swedish culture will be characterized in accordance with Richard Gesteland's cultural patterns as related to the geographical areas. Thus, being part of the Scandinavian region, together with Danish, Norwegian, Finnish, Dutch, and British culture, the Swedish culture is deal-focused, informal, monochronic and reserved.

The Swedish culture is among the small number of business cultures which are transaction and deal oriented. Swedes are reasonably open dealing with people or companies they have never heard of and usually respond positively to requests for meetings without a third-party introduction or recommendation.⁹⁹

Egalitarianism and informal business behavior strongly distinguish the Swedish culture from others. Swedes value equality, efficiency and modesty,¹⁰⁰ this being expressed in the flat structure of the Swedish management model. A manager tends to think of himself as a coach rather than a commander, and he often delegates tasks and authority to his staff.

Swedes are very punctual and adhering to schedule, what makes their behavior very time-rigid, or monochronic. Usually the same behavior is expected from the business partners. Being punctual is not only regarded as a sign of respect but also of efficiency.

⁹⁹ Ibid, p.300

¹⁰⁰ Ibid, p.299

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Moreover, the Swedish culture is characterized by an emotionally reserved communication style. Swedes prefer to avoid open displays of emotion,¹⁰¹ like to get down to business right away, do not gesticulate a lot, and avoid intense eye contact. In addition, one feature of business communication and expression of emotions is Swedish verbal directness.¹⁰²

5.2 Description of Companies and Knowledge Management Process

This research intends to focus on two SMEs established and managed by Turkish entrepreneurs in Sweden to show the cross-cultural aspects of Knowledge Management in SMEs (Turkish culture in Sweden).

5.2.1 Case A: “Elitex” Company

“Elitex” functions on import of the home textile products (mainly curtains) to Sweden and has been established several years ago, in 2001.¹⁰³

Elitex is located in Stockholm and represents basically a shop with office. In Sweden it operates with one person responsible for the shop, another responsible for administrative issues, one marketing manager and two persons responsible for marketing.¹⁰⁴ The company has one founder and one manager, both are ethnically

¹⁰¹ Ibid, p.303

¹⁰² Ibid, p.300

¹⁰³ Trademark is used with the permission of the company.

¹⁰⁴ This structure adopted from 2004, when the company decided to change its trademark from the Turkuaz to Elitex (which means Elite Textile). Total number of employees in company is 5, except the owner and managers' wife who usually helps in day to day activities.

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Turks.¹⁰⁵ The manager has Swedish citizenship. The Turkish founder has very successful business activities in Denmark that have motivated him to start business in Sweden as well.

The structure of the company represents an interesting configuration. As mentioned before this company consists of founder, manager and several other employees, except for the accountant who is hired upon necessity. However, the manager always has support of family members (native Swedes) that are also involved in this business.¹⁰⁶

Until recently, the majority of the clients of Elitex were ethnically Turks. However, since the beginning of 2004, changes have occurred, now around of 60% of Elitex' customers being Swedes. Consequently, Elitex has changed its wide range of products and started to provide mainly home textile (curtains, bed linen, carpets, etc.) for the new customers. In other words, in 2004 Elitex shifted from general textile to the home textile and started serving Swedish consumers, interested in good quality and cheap prices. Now, the company sells basically home textile products, which are imported to Sweden from Turkey under the supervision of the founder, with consulting the local staff.

5.2.2 Knowledge Management Process in Elitex

A description of the Knowledge Management process in Elitex, or some the parts of it which could be identified within this company, will be designed based on the understanding of the authors of this phenomenon within the studied company as a

¹⁰⁵ Information provided by manager

¹⁰⁶ Information based on interview.

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result of consultations with the company manager. The reason for this comes from the fact that there is a lack of written information on Knowledge Management process in Elitex, and even the information found available was in Turkish. Hence, this part will be based mainly on interviews with the manager and the owner.

Therefore, Knowledge Management process in Elitex can be described in three main stages: creation, sharing and application. These stages provide a general view on how this company manages knowledge, which occurred as a result of selection and sorting of primary information and data. Since the primary focus was the process of Knowledge Management, the authors of this research, together with the manager, approached knowledge as economically valuable, sorted information, which can add value and create competitive advantage for the company.

Knowledge Creation

The first stage of Knowledge Management process has been approached as one of the most important steps in day to day work. The emphasis was put on knowledge creation by the manager and it provides a clear explanation that operating in a culturally different environment requires learning and discovering new things. Therefore, the manager stressed the fact that often he has very differing view, so he has to create the new knowledge continuously. That knowledge concerns primarily the product and service (i.e. adjusting the size, colour, fabric of curtains, etc..) delivered by them. A strong emphasize was put on the role of the manager, who, in this company, takes final decision during the process of knowledge creation.

Furthermore, the sources of knowledge creation have been identified as internal and external. As external sources the company utilizes Internet and other official

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publications of statistical bureaus, competitors and customers reactions. As for the internal sources, they are mainly employees' reactions acquired during informal contacts. However, knowledge actually becomes knowledge only after the final word or appreciation of manager who sees himself a sole filter for the knowledge circulation in the company. The first stage mostly was followed by immediate application of the second level of knowledge management process which is sharing.

Knowledge Sharing

This stage of the process of Knowledge Management occurred mainly in a less formal, two way communication, in the form of consultations. Sometimes all employees come together with manager and founder when the last one visits the country.¹⁰⁷ The sharing process with Turkey occurred in most cases via mails which were stored as an electronic data. However, the orders or pre-application information is provided in a more informal way.

Despite the above mentioned fact, sometimes the manager made some written orders, which were done as a result of necessity, when some employees were absent. During the interview, answering the questions regarding this part of the process, the manager has emphasised several times the importance of person rather than system in their company.

This stage in Elitex Knowledge Management process is followed by application, a stage considered harder for the company.

¹⁰⁷ These visits occur at least once in a month.

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Knowledge Application

Application can be considered one of the slowest stages in Elitex Knowledge Management process. Since application is the stage that is concerned with incorporating knowledge into organization's products, services and practices, the company makes an effort to be more punctual. Therefore, certain problems are created, such as extra work. The aim of extra work is to attain value equality, efficiency for the customers, which will bring revenue to the company.

However, the application provides immediate, emotionally reserved but, direct verbal reaction from the customers, who express themselves in the shop, whether they like or dislike certain things. Primarily the application is concerned with the outcome which is externally observable and occurs as product or shop placement changes. During the application company mainly takes into consideration their customers (wills, economic capacity, likes, etc.)

5.2.3 Case B: “Fact Bil” Company

“Fact Bil”¹⁰⁸ is a company operating in car service, sales, repair, and auto spare sales that has been established nine years ago, in 1995.

“Fact Bil”, stands for “fact car” in Swedish, or “all about cars” as explained by the owner, and is located in Linköping.¹⁰⁹ However, its founder is an ethnical Turk working in that business area for more than twelve years.

¹⁰⁸ Trademark is used with the permission of the company.

¹⁰⁹ Information provided by the owner

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In line with the up-mentioned facts, this company has a very interesting structure. The company has had nine employees besides the accountant, who is hired on a temporary basis to prepare reports and books. In various periods the company has had workers with different ethnic background. Therefore, looking on the company records it can be concluded that the company has a very high rate of personnel rotation, which relates to every one besides the manager.

Nowadays, nine years after it has been established, the company has a name supported by a large number of clients from different places of Sweden, Germany, Moldova, Russia, and Azerbaijan. Inside Sweden the company's main activities are focused on car service, outside the country it deals mainly with import and export. Mainly, "Fact Bil" imports "second hand" cars from Germany and sells them in Sweden. Still, from 2004 it made efforts to export some cars to different countries, among them being Azerbaijan, Russia and Iran.

According to the manager's information, around of 90% of Fact Bil customers are Swedes. Consequently, Fact Bil has its range of products that it provides to Swedish consumers, interested in good quality and low prices.

5.2.4 Knowledge Management process in Fact Bil

The Knowledge Management process in Fact Bil can be characterized by a slow circulation. In other words, taking into consideration the history of this company, many processes in company have become more routine and well-established. Therefore, according to its manager, Fact Bil uses to create and manage less knowledge than the 'new comers'. However, despite the established procedural

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structure in Fact Bil, the authors of this research have identified the same pattern as they did in Elitex. That means the company had not so well established paper/electronic based Knowledge Management process. But, differently from the previous case this company had several databases where they store information about serviced car. That database is primarily concerned with the corporate customers¹¹⁰ and was not related to the individual customer. Considering the lack or sometimes unclear information about the Knowledge Management process the authors, together with the company manager, have tried to identify and describe the existing stages of the process in Fact Bil. Despite the fact that company lacked the sorted and stored knowledge, it applied the stages of the Knowledge Management Process. The understanding of this came after the interview with the manager. Therefore, this descriptive part will be based on an interview in Fact Bil.

According to the study, the Knowledge Management process in Fact Bil can be sorted in tree main stages. They are: knowledge creation, knowledge sharing and knowledge application stages. However, during the interview the manager stressed that Knowledge Management process in company occurs continuously and very quickly. That process delivers mainly value creation which is the aim of company activities. Some knowledge related issues became so monotonous that they lost their value inside the company but, still they continue to deliver economic benefit to the company. In order to understand the main phases and actors of these stages, the authors of this research will continue their explanations in separate stages of the process.

¹¹⁰ By corporate customer the authors mean the customer business. In other words, according to the manager that words stands for the organization which are the customers to the Fact Bil.

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Knowledge Creation

The initial stage of the Knowledge Management process has been very clearly identified by both authors and manager. The main actor in that stage is the manager, who has observed continuously the work of his workers and created knowledge. His observations regularly ended up with his own suggestions. However, because of his business, the manager was not always able to contribute to the day to day activities. Mainly, he put an emphasis that knowledge in his company concerns technical education. So, the main contribution or knowledge creation occurred in the technical area and was related to the new methods or instruments that were used in daily activities. And as it was stressed by the manager, due to profound knowledge which was generally gathered by the manager from several seminars and conferences of corporate supplier, the manager actively appears to be the central figure with a special status in knowledge creation stage.

As it has been pointed out, the main inspirer and the leader of this knowledge creation was the manager, who continuously receives and updates himself by attending different technical conferences, seminars and fairs. Another interesting fact was that the manager put more importance on the technical newspapers and magazines rather than electronic sources for the knowledge creation. However, as a reaction to the question about the internal sources of knowledge creation, the manager named its employee as such a source, but he would not stress their importance due to lack of their specific knowledge and particular education in this specific field.

Despite the fact that the manager could point out the first stage of Knowledge Management process he was not sure about the next stage and sometimes tended to put the next stage before the creation.

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Knowledge Sharing

The main characteristic of the second stage in Fact Bil is its occurrence in a more informal environment. It concerns mainly direct, two ways communication, which sometimes may substitute the written communication (i.e. messages on the keys for customers). This process focuses mainly on internal actors - employees. However, even if sometimes the authors of this research have tried to consider the customers as a participating part, they were excluded by the manager who said that they do not consider the customers in that stage. That stage is primarily concerned with the technical way of work and therefore sharing occurs inside of the company. The outside view is considered only in the next stage.

This particular stage also includes orders and pre-application information about the activities which should be carried on. Sharing this kind of information occurs mainly in an informal environment, like at dinner or tea-coffee breaks, and in the way of oral communication in day to day activities.

Despite the above mentioned fact, mostly the manager has tried to provide some written information, which was done as a response to the necessity of individual customers. However, sometimes the manager used the written communication to provide orders to workers. It happened as well when the manager was absent. According to manager's information that kind of situations are regular and happen at least once in a month. This kind of orders to employees and feedbacks to the customers are not achieved and stored in databases at company. They are mainly stored in the head of the manager who is the key person even in this stage as well. Differently from previous stage, here the manager shares his role with the employees and could be easily affected by their way of thinking.

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This stage in the Knowledge Management process of Fact Bil is followed by knowledge application stage. In most cases this final stage occurred as a part of the sharing stage, or was closer to it.

Knowledge Application

Application can be considered as a final stage in the Fact Bil's Knowledge Management process. That final stage is the main product of the company, a product that creates value for the company and means improvement for the customer. Since the application is the stage that is concerned with incorporating knowledge into organization's products, services and practices, the company always tries to be more punctual. To be on time the company applies the timetable which is continuously revised by car manufactures and indicates the ideal time for each kind of work with the best repair machinery. Mainly the pricing of the services occurred on the hour base, which is indicated on the table. Therefore, in most cases the company succeeded to be on time, however, as was stressed by the manager in technological world no one knows what the problem is and everyone can face more problems than s/he can expect. Briefly, the company orients towards the market and its customers and for their benefit, to be on time and provide cheap prices as a result of their efficiency.

As with Elitex, the application provides immediate informal reaction from the customers, who rarely express themselves in the shop if they like or dislike several things. Application primarily concerns the outcome which is externally observable on a product. During the application the company takes into consideration their customers (wills, economic capacity, likes, etc.) Therefore, this stage is mostly dominated by the customers whose desires the company tries to fulfil.

Chapter V: Analysis

The analysis part will combine and present the empirical findings with the theory in order to answer the research assumption. It will start with a pre-analysis - description of link, will move to the analysis - test of assumptions, and will end with the post analysis – provision of the analytical conclusion

5.1 Pre-Analysis

This part will focus mainly on the combination into one of the findings from two case companies. The aim of this pre-analysis is to shape the findings and provide pre-understandings for the analysis, which will be based on this part. This general summary is meant to help the reader to understand brief explanations to the test of hypothesis. The authors think that having a general view will help the reader to understand different details in case companies and will represent a deductive approach to the post analysis part.

5.1.1 The Link: Knowledge Management process and National Culture in Elitex and Fact Bil

The process of Knowledge Management in SMEs differs to a rather big extent from the same process but in large organizations. Reporting the Knowledge Management

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practices in large organizations to a smaller scale does not give valid insights of the Knowledge Management practices in SMEs.

Some generalizations and patterns of Knowledge Management process were identified and described by the authors of this study within the two researched companies - Elitex and Fact Bil. Considering the fact that both companies fit the definition of a SME, later in this research the authors will continue to explain the link without referring to the SME dimension of the proposed model. The study will focus on the link between the cultural patterns in Knowledge Management stages in case companies. Despite the fact that sometimes the managers feel it is hard to distinguish their culture from the Swedish, that being mainly the case in Fact Bil Company, after a slight analysis they find the way to do it. That situation, as it has been admitted lately by both managers, is a result of the fact that never before have they thought about the effect of the culture on their daily life and especially on their Knowledge Management process.

In order to make it easier for the reader the authors have decided to provide the division of Knowledge Management process in three stages as was done previously, and describe the cultural patterns identified during the research process in case companies.

Knowledge Creation: One of the initial stages of the process, the knowledge creation, is dominated mainly by the managerial incentives. To obtain the data which can later be sorted and used, both companies use to ask customers questions. This helped establishing friendly relationships between the company and the customers, allowing discussing about issues not related to their activities. As was stressed by the Elitex

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manager, Elitex is the representative of Turkish culture, products, country and as more relations the company has, the more customers it will gain. Another point was made by the owner of Fact Bil who said that relations are so important that without them the company could not go on, as all customers knew him and believed him.

Another dominating aspect was that both managers attribute themselves a different status, even if they were very active in day to day activities and worked together with the employees. The manager's words had a great informal power. Despite the fact that both managers regret the expression of formality in their companies, both enjoyed it and sometimes politely pointed on it. In several mails the authors of this research have intentionally emphasized the title and position of the managers and received the answers with the formal signature. Even though this was a weak indicator, during the observation the authors have seen that the managers did not participate in certain activities, although they may have had expertise in it, or there was a strong need for it. They mostly left the things (i.e. in Fact Bil changing seasonal tires was not the activity where manager participated, even there were a long queue) to certain employees and concentrated on other important things like provision, information searching, meeting and speaking with the customers.

Considering the fact that the managers in both companies had very close relations with most of the clients, they were very flexible in time settings. This means, they enjoyed their friend-status and sometimes could reschedule several deliveries in the day of delivery, change the priorities. The fact that they were not under the pressure of a deadline was clearly observable when they postponed the delivery and explained this to customer by providing reasons as it takes time to repair car or they are waiting for a better product. However, the managers can easily express themselves towards

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the employee. In other words, their attitudes or mood can be observed better inside (in-company) relations (with employee) rather than outside relations (with customers).

Sharing: The next stage, knowledge sharing, takes place in both formal and informal environments because it is dominated mainly by managers' perceptions and employees' views. Since the companies include several employees they had informal groups. That was clearly identified in Elitex rather than in Fact Bil where employees shared several backgrounds. However, the main pattern in both companies was that they always offer to share food or drink to customers when they visit the company during the lunch time. But, that was not observed regularly, so it was not possible to generalize that fact as a cultural pattern. Mainly, this stage occurred rather fast, making it difficult for the authors of this research to understand and describe the cultural patterns.

Application: This final stage takes into close consideration the customers. The application is done under the influence of the customers. The consumers are characterized by managers and employees as deal/product oriented people. The point raised by manager of the Elitex as an example was that their customers like single colored or monotone carpets. However, it is not always the same in the perspective his personal taste. He mentioned that his view several times differentiated from that of his customers and therefore he uses the taste of his employees/Swedes as guidance. Moreover, since the customers are not so much talkative during the application stage it is not so easy to get their reflections. The manager of Fact Bil pointed out that his customers like things to be done at the proper time however, it is not always easy. Another interesting pattern of the customers was provided by the Elitex manager, who

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pointed out that mostly customers are not talkative and they are looking for what they came for, meaning they are more deal oriented. If customers could not find what they are looking for they will leave without saying anything. He also pointed that from his perspective it is different, as he may ask for it from the employee of a shop and if they do not have it will leave the shop.

5.2 Analysis

Having a general picture of what the authors have identified in two case companies will help you, as a reader, to understand what were the detailed patterns on which the general hypothesis were tested. Therefore, the authors will not provide detailed information about the cases and will try to answer their assumptions by testing them. This test will be done in order to avoid repetition and provide prompt answers to the research questions.

5.2.1 Test of Assumptions

The test of assumptions, developed at the beginning of this study based on the case of Turkish SMEs in Sweden, will use as a foundation the case of two companies Elitex and Fact Bil. This test will be done according to the information provided in the previous part. Since the researched companies represent Turkish-visiting culture in the Swedish-resident culture, the main explanation will be based on the patterns of these cultures in Knowledge Management process.

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Visiting Culture affects the Knowledge Creation in SMEs

Elitex: Considering the fact that Elitex is affected mainly by the manager, whose position in company differs in status from that of the others, one can consider the expression of the status (hierarchy) as a feature of the Turkish culture. However, the pattern that the manager tries to collect data and later to create knowledge based on relations with the customers and employees, points directly to the relationship-focused feature of the Turkish culture. Another emphasis is put on the relation of the visiting culture and time, the companies being flexible with the deadlines which is an expression of their polychronism. That pattern comes from their close relation with customers, where companies' close contact means a lot for their business. As stressed by the manager, people are very important in Elitex, more important than a system. Since the managers consider the problem discussion a part of their culture and work, during this process also occurs knowledge creation. Gesticulation is as well an important expression of Turkish culture taking place during this stage.

Fact Bil: The first stage of Knowledge Management process in Fact Bil is dominated by the manager, who positions himself in company differently from others. This positioning is obvious since the manager is the only person from the company who is attending some seminars and other similar events. Moreover, the patterns that the manager tries to collect data and later create knowledge based on relations with the customers and employees, points directly to the relationship-focused feature of the Turkish culture. Another emphasis is made on the relation of the visiting culture and time, the companies being flexible with the deadlines when it is impossible to deliver repaired product, which shows their polychronism. Moreover, the manager of Fact Bil considers the fact that he always made discounts to financially disadvantaged people, provided daily meals to his employee, and gave them the possibility to repair their

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own cars, facilitated the feedback provision on the base of which he, solely, creates a knowledge valuable for the company.

Summary: The above provided brief review of the empirical material and its correspondence with the theory enables the authors of this research to stress the point that the manager is the key figure in the knowledge creation stage. Taking into consideration the fact that both managers in the studied companies attributed themselves to the Turkish culture, the authors consider it is obvious and logically supported to observe the dominance of the Turkish culture in these companies during the knowledge creation stage. In other words, the up-mentioned facts stressed again the assumptions that the manager/owner is a powerful figure inside the company who affects the knowledge creation stage. Consequently, the assumption that the visiting culture affects the knowledge creation stage in SMEs is valid on the case of Turkish culture that affects the knowledge creation in Elitex and Fact Bil companies.

Hybrid of cultures affects the Knowledge Sharing in visiting culture' SMEs

Elitex: Since the authors could not describe in Elitex certain patterns during the knowledge sharing which they can refer to, they have referred mainly to the words of the managers and employees with whom informal discussion have taken place. The general answer was that this stage is mainly under the effect of different cultures and it is easy to observe a mixture of Swedish and Turkish cultures there. That came out later as a result of review of the actors and their roles inside the company in that stage, who mainly are employees representing the resident culture and the manager who represents the visiting culture.

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Fact Bil: Despite the previous case the authors of present study could clearly identify the actors involved at this stage and their cultural patterns in Fact Bil during the knowledge sharing process. Since in this stage the main actors were the manager and his employees, both cultural patterns formality vs. informality, deal focus vs. relationship focus was clearly differentiated at this part of the process. Sometimes the manager would not go directly into the problem discussion and would ask more questions about the feelings of his employees, when the employees on the contrary would like to start to solve the problem immediately and waste less time.

Therefore, a general pattern of this stage is the effect of different cultures, a mixture of Swedish and Turkish cultures which could be easily identified there. This conclusion is the result of the employees' considering themselves as individuals who represent the Swedish culture. Therefore, their interaction with the manager at this stage is representative for the Turkish culture and results in a combined cultural impact on Fact Bil.

Summary: The findings described above have shown that the knowledge sharing stage of the Knowledge Management process is impacted both by the manager, who belongs to the Turkish culture, and by his employees, who belong to the Swedish culture. This creates a mix of cultures that influences the sharing of knowledge. Hence, the assumption of the authors that a hybrid of visiting and resident cultures influences the knowledge sharing has been confirmed.

Resident culture affects the Knowledge Application in visiting culture SMEs

Elitex: Elitex takes into close consideration the customers who are the beneficiaries of knowledge application outcome. Therefore, as was stressed by the manager they

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apply knowledge under the vigilant observation of customers who were described as people who are looking for the certain product, less talkative, more time oriented. These patterns are attributes of the resident culture which is Swedish.

Fact Bil: Since this company is mainly trade and service oriented, as was stressed by its manager, it considers market (mainly customer desires) as a focus-point. Fact Bil tries to satisfy first of all its customers. The main reason, for it, is that the customers in Sweden, in most cases, may leave the company without dropping any word about dissatisfaction.

Considering customers as users or beneficiaries of company's final products, this company focuses on them at this stage. Therefore, their influence was obvious and vital at this stage in Fact Bil.

Summary: Based on the information provided above, it could be summarized that both companies consider customers as a key factor in knowledge application process. The majority of the customers belongs to the Swedish culture, as has been shown by the features these customers possess. Thus, it is the customer who dominates knowledge application, and consequently it is the resident culture that has a major impact on this particular stage. Hence, this assumption of the authors has been confirmed as well.

Considering all above mentioned, the authors thought that it would be more helpful and well fitted in the structure of the study to build on the tested assumptions a model which can be perceived visually. In general patterns all provided assumptions are:

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1) Visiting Culture affects the Knowledge Creation in SMEs – focus point: Manager

2) Hybrid of cultures affects the Knowledge Sharing in visiting culture' SMEs – focus point: Manager and Employee

3) Resident culture affects the Knowledge Application in visiting culture SMEs- focus point: Customers

Since these assumptions have been confirmed in the case of two SMEs, the researchers find it necessary to use a model description as an outcome of the study. That model will be described and elaborated in the next part of analysis chapter.

5.3 Post – Analysis

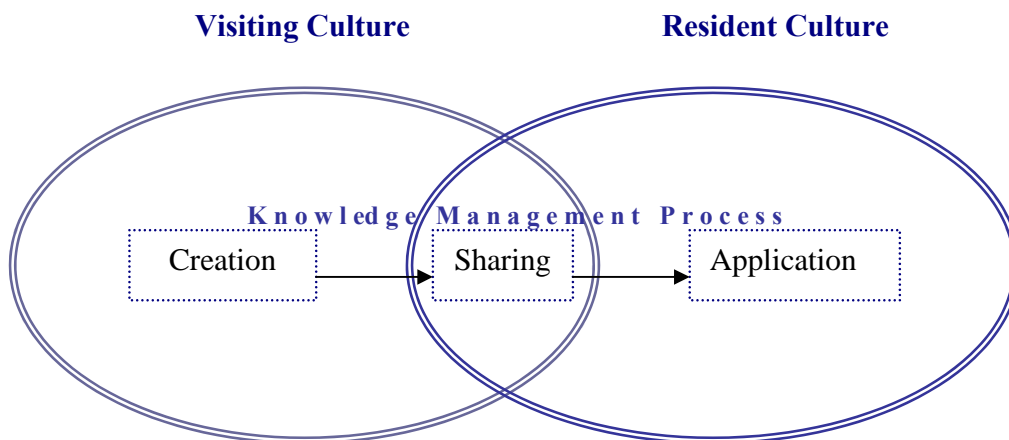
By getting inspiration from the case study which supported the assumptions of the authors, they decided to make a visible picture of their findings. Therefore, the authors of this research will try to create and describe their findings in the model. This model will be a summary of their analysis and an indication of the results of their research.

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5.3.1 Model of Knowledge Management in a Cross-Cultural Context

Figure 4 illustrates a model of Knowledge Management process in a cross-cultural context, which has been developed by the authors of this research based on the information received from the study. Keeping in mind the purpose of this study, this model shows the link between national culture and the process of Knowledge Management in SMEs, which constituted the case companies, where the assumptions were confirmed, providing a more detailed view on this link.

Figure 3: Model of Knowledge Management in a Cross-Cultural Context



As already mentioned, to serve the aim of this study the national culture has been divided by the authors in visiting and resident cultures; as well the process of Knowledge Management has been identified as creation, sharing and application.

In general terms, this model states that from the perspective of SMEs the creation of knowledge is dominated by the visiting culture, the application is influenced by the

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resident culture, whereas the sharing process takes place in a hybrid of the two cultures.

Under a more detailed examination, this model takes into close account the features of the cultures studied in this research. Thus, the creation of new knowledge appears to be dominated by the visiting culture due to the hierarchical decision-making, formality and officialdom specific to the Turkish culture. It is the founder/owner/manager who creates the knowledge, through individual learning or research and development being strongly dominated by his cultural belonging.

The sharing of knowledge SMEs in a cross-cultural context takes place in a hybrid of resident and visiting cultures. This rests largely on the account that the process of knowledge sharing may occur between the founder/owner/manager and his employees. The employees may as well belong to the resident-Swedish culture, whereas the manager belongs to the Turkish culture. Thus, a hybrid of visiting-Turkish and resident-Swedish cultures is created impacting the knowledge sharing process.

The process of application of knowledge, which is concerned with incorporating knowledge into the organization's products, services and practices, is influenced by the resident culture. When applying knowledge in a cross-cultural context, the companies take into account the national environment of the country they operate in, its customs and standards. But the closest attention of this stage of Knowledge Management process is paid to customers, who are the primary focus of companies during knowledge application.

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However, it should be noted that his model has a conditioned applicability. It is conditioned upon the features of the cultures, both resident and visiting. Thus, considering all above mentioned, the authors of this research can say that they were successful in creating the tentative model, which should be tested to confirm model's larger applicability on more examples or case studies. The conditioned applicability of this model rests on the account that this model was developed on the theoretical assumptions which were tested on specific cases.¹¹¹ The greater the dissimilarity between some culture and the two cultures studied in this research, the greater the likelihood that this model will not display the same layout. The link between the national culture and knowledge management process may be manifested in other modes and with a different impact. Moreover, the model is not likely to be valid for large organizations operating in a cross-cultural context, as it has been designed based on the features of SMEs.

¹¹¹ For further elaboration please see Discussions

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this study and which have confirmed the suppositions of the authors of this study. These results show that although Knowledge Management practices are still in need for development in SMEs, all three stages examined were manifested in the studied companies. The national culture has the most certain impact on these processes, either in the form of visiting or resident culture. However, as a result of this study the authors have identified that the researched companies first of all had difficulties to spot the stages and mostly to relate or attribute cultures to some of them. The authors conclude that this happened due to the fact that these companies', being regular SMEs, focus on daily activities rather than on long term planning and applications. Even though, after a more precise look at their activities the authors and case companies were able to identify the informal stages of Knowledge Management process and attribute two kinds of cultures to these identified stages.

Moreover, the test has validated the assumption that the visiting culture (here Turkish) seems to be dominating in the process of Knowledge creation, on account of the specific cultural characteristics related to that particular culture, as the formality and the strictly hierarchical decision-making in the case of Turkish culture. That assumption was proved mainly as a reason that in case companies, which are SMEs, the dominance of founder/owner/manager is always obvious.

As proven by the test of the second assumption, the Knowledge sharing is influenced by a hybrid of the visiting and resident cultures. In the case of this research, the Knowledge sharing is performed in an environment formed of the combination of Turkish and Swedish cultures. That result was driven out from the interviews and observation where the Knowledge Sharing stage has occurred mainly by the participation of founder/owner/manager and employee.

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The Knowledge application process has proven to be influenced mostly by the resident culture (here Swedish), this resting largely on the account of considering the resident culture in terms of customers and their needs. At the first review the authors had a thought that this consideration may be a result of service orientation of these companies or at least it is so in the case of Elitex's. However, after an observation of technical production of the Fact Bil the authors could gain an understanding that it is due to the size of the SMEs that they are more close to customers. This closeness is a pattern of both case companies, as being indicated by the literature on SMEs in general.

Confirming the empirical findings in the theoretical framework of assumptions the authors moved to the next stage of analyzing conclusions. There, they designed and described a model which covers all their assumption and could be perceived as an output of the study. Since the model was not well tested the authors provided an opportunity and left free space for future research to test that model on the case of SMEs. Moreover, concerning the outcome of the model, which tried to fulfill the gap between the theoretical concepts, the authors recommend future tests on the key stones of the triangle provided in the introduction.

Briefly, this study is focusing on the gap between three main concepts, which are: Knowledge Management, national culture and SMEs. The authors of this research have tried to address the relation between these concepts and were able to confirm this relation by filling the theoretically unaddressed gap in the case of Turkish SMEs in Sweden. This attempt has been successful in confirming the existence of relation between these three concepts in the test of theoretical assumptions.

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Glossary

NATIONAL CULTURE

- The collective mental programming of the people of any particular nationality that shapes the values, attitudes, competences, behaviors, and perceptions of priority of that nationality.¹¹²
- Inherited ethical habit that consists of an idea or value, or of a relationship. Ideas, values, and relationship patterns constitute the ethical codes by which societies regulate behavior.¹¹³
- That complex whole which includes knowledge, beliefs, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society.¹¹⁴

RESIDENT CULTURE

- Term used by authors of this research to denote the culture of Sweden, meaning the state of national culture when it is studied within the geographic boundaries of the country it belongs to.¹¹⁵

VISITING CULTURE

- Term used by authors of this research to denote the culture of Turkey, meaning state of the national culture when it is studied outside the geographic boundaries of the country it belongs to.¹¹⁶

KNOWLEDGE

- Facts, information, and skills acquired through experience or education.¹¹⁷

¹¹² Hofstede, G. (1991), Ibid, p. 126

¹¹³ Fukuyama, F. (1995), “**Trust: the social virtues and the creation of prosperity**”, Hamish Hamilton, London, p. 78

¹¹⁴ Holden, N.J. (2002), “**Cross-cultural management: A Knowledge Management perspective**”, Financial Times Prentice Hall: Harlow, p.102

¹¹⁵ Definition elaborated by authors, further explained on p.7

¹¹⁶ Ibid.

¹¹⁷ Oxford (2003), “**Oxford Dictionary of English**”, Second Edition, Oxford University Press, Oxford, p. 215

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- A fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporation new experiences and information.¹¹⁸
- A multifaceted concept with multilayered meanings; justified true belief.¹¹⁹

KNOWLEDGE MANAGEMENT

- A conceptual framework that encompasses all activities and perspectives required for aiming an overview of creating, dealing with and benefiting from the company's knowledge assets and their particular role in support of the company's business and operations.¹²⁰
- A framework which caters to the critical issues of organizational adaptation, survival and competence in face of increasingly discontinuous environmental change.¹²¹

KNOWLEDGE MANAGEMENT PROCESS

- A process that comprises steps from knowledge creation to its application. There are three key knowledge processes: knowledge creation; knowledge sharing; knowledge exploitation.¹²²

KNOWLEDGE CREATION

- The process involved in creating new knowledge through intuitive connections between existing ideas or through interaction with other in the organization.¹²³

¹¹⁸ Davenport, T.H. & Prusak, L. (1998), "**Working Knowledge: How organizations manage what they know**", Harvard Business School Press, Boston, p.119

¹¹⁹ Nonaka I. (1994), A Dynamic Theory of Organizational Knowledge Creation, **Organizational Science**, February, Vol.5, No.1, p.12

¹²⁰ Wigg, K.M., (1995), Ibid

¹²¹ Malhotra, Y., (1998), Knowledge Management, Knowledge Organization & Knowledge Workers: A View from the front lines, **Maeil Business Newspaper**, 19 February 1998 Retrieved on: 10th November, 2004 from: <http://www.brint.com/interview/times.htm>

¹²² Kogut, & Zander, (1992), Ibid, pp.383-397

¹²³ Crossan, M., Lane, H.W., & White, R.E. (1999), Ibid, p. 32

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KNOWLEDGE SHARING

- The socialization and externalization processes that transfer knowledge to other organizational members.¹²⁴
- Transferability of knowledge within firms and between firms.¹²⁵

KNOWLEDGE EXPLOITATION

- Converting knowledge into valuable products¹²⁶

¹²⁴ Nonaka, I. & Takeuchi, H., (1995), Ibid

¹²⁵ Grant, R., (1996), Ibid, p. 46

¹²⁶ Nonaka, I. & Takeuchi, H. (1995), Ibid, p. 153

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Annexes

Appendix 1: Types of SMEs

Enterprise category	Headcount	Turnover	Or	Balance sheet total
Medium-sized	< 250	≤ € 50 million		≤ € 43 million
Small	< 50	≤ € 10 million		≤ € 10 million
Micro	< 10	≤ € 2 million		≤ € 2 million

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Interviews

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- Interview with the Owner of Elitex – Mr.Taner Abakli
- Interview with the Owner/Manager of Fact Bil – Mr.Aslan Arablou