

KNOWLEDGE MANAGEMENT IN TRANSITION ECONOMIES: SELECTED KEY ISSUES AND POSSIBLE RESEARCH AVENUES

Snejina Michailova

*University of Auckland Business School, New Zealand**

Elena Sidorova

University of Auckland Business School, New Zealand

Abstract. *Most of the existing literature on knowledge and knowledge management has a Western or Japanese origin. While this literature provides important insights and findings, these may not necessarily be successfully replicable in other contexts and may lose some of their relevance when applied there. Such and similar observations have given a rise to a substantial number of knowledge management studies conducted in non-Western settings, among those transition economies. We highlight three particular challenges to the knowledge management literature in transition economies: moving beyond the extension of existing knowledge to instead developing contextualized and distinct knowledge; shifting from studying unidirectional knowledge transfer to examining multidirectional knowledge flows; and changing emphasis from studying knowledge transfer to studying knowledge creation.*

Key words: *knowledge, knowledge management, transition economies*

Introduction

Knowledge, knowledge processes and their management have been an essential part of organizational life for centuries, but only relatively recently have they been explicitly integrated into the mainstream corporate decision making and general management. The importance of this shift is likely to grow as an increasing number of societies worldwide move from industry- and information-based to technology- and knowledge-based economies and discover the enormous opportunities provided by the creation, acquisition, distribution, and use of knowledge. Firms in transition economies (TEs), many of which suffer from scarce resources, are likely to put an even greater emphasis on knowledge and knowledge management (KM). Utilizing knowledge as a non-depleting asset might be their primary chance to achieve sustainable competitive advantage.

* Corresponding author. E-mail: s.michailova@auckland.ac.nz

The vast majority of published writings on knowledge and KM have a Western or Japanese origin. By far the majority of the studies are conducted by Western researchers, on the basis of Western organizations and with relevance to Western contexts. This specificity is seldom explicated, and so, many of the studies tend to project a rather universalist understanding of and approach to KM and aggregated pictures rather than nuanced, detailed explanations of complex phenomena. KM often seems to be perceived as operating in a kind of a vacuum, in which the diversity of various dimensions is compressed into one giant independent variable. Such universalism does not allow for the influence of specific factors to be approached as variables in understanding KM. While Western literature provides important insights and findings, these may not necessarily be successfully replicable in non-Western contexts and may lose some of their relevance when applied there. Such and similar observations have given a rise to a substantial number of KM studies conducted in non-Western settings, among those TEs. It is encouraging to see research volumes dedicated to KM in such contexts (e.g. Hutchings & Mohannak, 2007; Chandra & Khanijo, 2009).

While there are various views on what constitutes a TE, which indicators and indexes measure and define a country as a TE and subsequently, how many economies worldwide are TEs, most sources tend to agree that TEs are countries considered to be in a transitional stage between developing and developed status, undergoing rapid growth and enjoying an growing role in the world economy regardless of their size and geographical location. We adopt this view and, like Hoskisson et al. (2000), we consider the countries in Central and Eastern Europe, the former Soviet Union and China to be TEs. Despite the various differences between these countries and the paths they follow in their post-socialist development, they all are becoming increasingly market oriented.

KM research demonstrates a tendency towards a somewhat uniform interpretation of the nature of economic transformations in TEs and their impact on knowledge processes. Although united by a common socialist past, Central and Eastern Europe is vastly different from China. The economic transformation in Central and Eastern Europe was more rapid and extensive and involved system-wide simultaneous deep restructuring of institutional, political, economic and social systems, structures and practices (Child & Czegledy, 1996). In China changes have been incremental and confined almost solely to the economic realm (Child & Czegledy, 1996; Kriauciunas & Kale, 2006; Napier, 2005). As a result, after the breakdown of the old system and during the transformation process, Central and Eastern European firms have been operating in an environment of higher complexity and dynamism (Lang & Steger, 2002) compared to China. This has resulted in uncertainties and risks which apply only to a certain degree to TEs outside Central and Eastern Europe. Among these are micro-level risks such as a low level of autonomy, unwillingness to take responsibility (Fabry & Zeghni, 2003), lack of a sense of urgency, and “ironic freedom”, i.e., the freedom of not identifying oneself with the capitalist system (Kiessling et al., 2009) as well as macro-level risks associated with weak and unstable legal systems (e.g. property rights, intellectual property protection, etc.), and political and administrative uncertainties.

When studying KM in TEs, one also needs to consider the stage of market transition (Li & Kozhikode, 2008). The impact different aspects of TEs institutional environments may have on KM processes varies in strength and nature, due to the uneven pace of their evolution. For instance, instability of regulatory and normative institutions characteristic of the early stages of transition leads to greater reliance on cognitive institutions (e.g., social capital, trust, informal networks). However, as regulatory and normative institutions strengthen over time, the impact of cognitive institutions may decline (Bruton et al., 2007). Differences in the relative dominance of the respective institutional pillars may partly explain how they interact with knowledge processes and the influence of the pillars on these processes and their management.

In this paper we move away from a functionalist framework of viewing knowledge, according to which the latter is an objective, transferable commodity (Lanzarra & Patriota, 2001) that can be “captured”, “packaged” or “appropriated”. Instead, we adopt a relational perspective, according to which knowledge is meaningless when separated from its context. The relational perspective views knowledge as being context bound and provisional (Lave, 1988; Orr, 1990) and residing in an evolving, continuously renewed set of relations, actions and persons (Tsoukas, 1996; Lave & Wenger, 1991).

We subscribe to the idea that knowledge is always developed locally: it is concomitant with a variety of contexts within which it is shaped and enacted. Thus it is, by definition, contextually embedded. Without understanding the context, one cannot inquire into the reasoning and the assumptions behind the particular piece of knowledge. We define KM as management of knowledge processes, such as knowledge creation, sharing, transfer, diffusion, integration and utilization. We would like to draw attention to the fact that KM is still in the phase of initial identification and definition of loosely recognized phenomena and their characteristics and contextual domains. Therefore, many of the key variables, relationships and implications, and the testing thereof, are not yet clear. This background should be borne in mind when considering our subsequent arguments.

Our objective in this paper is to put forward a few key issues and suggest possible directions for future KM studies in the context of TEs. While we realize that there are various areas of concern and several avenues one might undertake in suggesting research directions, we focus on three particular challenges: moving beyond the extension of existing knowledge to instead developing contextualized and distinct knowledge; shifting from studying unidirectional knowledge transfer to examining multidirectional knowledge flows; and changing emphasis from studying knowledge transfer to studying knowledge creation. The choice of these three particular themes is naturally biased. It is based on our own reading of the KM literature in TEs and should not be divorced from our own backgrounds as researchers - Bulgarian and Russian respectively, with much of our education undertaken in the West.

RESEARCH ISSUE 1: **From extension of existing knowledge to contextualized and distinct knowledge**

Most studies on KM in TEs have applied an extension strategy, i.e. they have mainly tended to apply models and theories developed in the West. The use of Western theories as a frame of reference in the study of knowledge-related processes and phenomena in a context markedly different from the one where these theories were originally developed has a number of important ramifications. On the one hand, these studies provide relevant insights regarding the reliability of core contributions in the KM literature. It is beyond dispute that studies on the transfer of Western management practices and know-how have served to validate earlier made predictions about substantive differences in terms of, for instance, the efficiency of tacit and explicit knowledge transfer. An important lesson is that the transfer of the types of knowledge which can be subject to codification, i.e., technology and more formal aspects of management know-how, is easier to accomplish than the transfer of “soft” aspects of management, such as leadership style, communication and people management techniques (Lang & Steger, 2002). Accounting techniques and quality control systems, for example, typically retain their validity in different national and cultural contexts (Child & Czegledy, 1996), whereas “soft” aspects of management usually require adaptation and modification, as this knowledge is institutionally and culturally specific and thus more tacit (Engelhard & Nägele, 2003).

At the same time, findings that ignore the influences of local factors or include them in models merely as contingency variables risk being unable to fully explain the phenomenon under study. From a practical point of view, the failure to develop theories and insights grounded in the particular context renders research findings irrelevant for local businesses and policy makers. The use of theories insensitive to the context are likely to be of low predictive validity. There is a growing body of evidence demonstrating that some well established relationships may be reversed in the context of TEs. One notable example comes from studies examining the role of social capital and its constituent elements, i.e., trust and social networks, in facilitating intra-firm knowledge processes and knowledge transfer by expatriates (Engelhard & Nägele, 2003). The formation of social capital in many countries with state-planned economies was shaped by factors profoundly different from those which prompted the development of social capital in the West (Bruton et al., 2007). Shaped under different conditions, social capital in Central and Eastern Europe and Russia, for example, served a different function – to compensate for the lack of trust in formal institutions (Child & Markoczy, 1993; Sporer, 2004), to help bypass the bureaucratic system, and secure stability (Sporer, 2004). In Russia and China, networks are distinctly different from those in the West in that they are much more personal, and workplace relationships often get intertwined with personal ones (Hutchings & Michailova, 2004; Michailova & Worm, 2003). It is probably due to these variations in the nature of social capital that current studies often see informal networks and relationships as creating obstacles to effective implementa-

tion of KM techniques in subsidiaries located in TEs of foreign MNCs (Engelhard & Nägele, 2003).

A danger associated with the low context-embeddedness of KM studies is that concepts which are well established in the West as beneficial for effective implementation of KM practices may prove useless in the context of TEs. Teams, arguably one of the most effective tools of facilitating intra-firm knowledge sharing, provide a case in point. Theory posits that bringing people together is essential for cooperation to emerge. However, in Russia where there is little understanding of the benefits of differing or opposing views, strong reliance on a superior in conflict resolution (Engelhard & Nägele, 2003), a perceived unwillingness to learn from other people's experiences (Holden & Cooper, 1994) and negative influences of group membership on team cohesiveness and effectiveness, Western managers often find self-managed and cross-functional teams dysfunctional (Hutchings & Michailova, 2004). Therefore, establishing teams for the purposes of facilitating knowledge sharing might not only be inefficient, but it is likely to prove counter-productive and block knowledge sharing.

Not only knowledge, but also the process of knowledge transfer is contextually embedded (Capelli & Sherer, 1991; Grannovetter, 1992; Mowday & Sutton, 1993). Kogut and Zander (1992) have highlighted the importance of the wider organizational context for the capture and dissemination of knowledge. According to Fernie et al. (2003, p. 181), "adapting and altering knowledge (tacit or explicit) to other contexts alters the knowledge itself in such a way that it represents new knowledge and not necessarily 'tinkered old knowledge' in a new context." They also maintain that one should not overlook the need for altering the context rather than the knowledge and that "[...]" in some cases this may be the easier of the options to generate the change required" (ibid.).

Bearing in mind that most studies on KM in TEs were prompted by foreign direct investment (FDI) and its knowledge-related issues, it is not surprising that geographically research is confined to countries with relatively high levels of FDI. As the most important recipient of FDI, China has received most attention from KM researchers and provided the testing grounds for many KM concepts (Si & Bruton, 1999). China-based studies have established important relationships between the forms of governance and opportunities for knowledge transfer (Li & Shenkar, 2003), and investigated determinants of effective reverse knowledge flows (Li et al., 2007; Tsang, 2002).

More importantly, these studies raised awareness of the impact of context on the processes of managing knowledge. Although early on the emphasis was primarily on culture, more recent studies demonstrate a tendency towards adopting a polycontextual approach (Tsui et al., 2007). Along with the recognition of the fact that KM research can benefit from analyzing the influences of a variety of institutional factors, i.e., regulatory, normative and cognitive, (Bruton et al., 2007; Li & Kozhikode, 2008) on knowledge processes, this revealed a potential problem of multiple, sometimes conflicting, explanations of the same phenomenon and challenged the primacy of culture to serve as the main explanatory variable. For example, the inability of local managers

to collaborate effectively might be attributed to the general lack of trust of foreigners characteristic of cultures with strong in- and out-group differentiation (Michailova & Husted, 2003); conversely, it could reflect the belief in working “outside the system” which is part of the Soviet legacy (Kiessling et al., 2009) or it could be a side-effect of the clan culture often established by expatriate managers, their hierarchical status in the company and uneven distribution of power (Engelhard & Nägele, 2003).

Additionally, forces in the institutional environment can override the impact of culture, as is the case with workplace values being subject to the influence of contemporary economic context rather than traditional cultural values (Tsui, 2004). Similarly, many of the challenges associated with the implementation of KM practices (e.g., ineffective organizational communication) stem from the specificities of industry organization under the socialist rule, rather than cultural differences between the parties involved (Child & Markoczy, 1993). Institutional influences may reinforce cultural predispositions towards certain types of behavior (Buck et al., 2000). For example, the lack of strategic planning skills generally attributed to low future orientation is reinforced by a volatile political, economic and social environment (Engelhard & Nägele, 2003), whereas power distance in China was reinforced by the Communist Party and a type of education system that discouraged teacher-pupil interaction (Buck et al., 2000).

Based on this line of reasoning, one would expect studies of KM in TEs to adopt an evolutionary perspective towards the context. However, the legacy of the command economy appears to be firmly entrenched in research models. Borrowing from institutional theory, its impact on knowledge processes is conceptualized as “socialist imprinting” (Kriauciunas & Kale, 2006). As an individual-level construct, “socialist imprinting” manifests itself in individual psychological predispositions towards a variety of social activities and has been found to strongly affect learning attitudes and behaviors (Engelhard & Nägele, 2003). At the organizational level, the term stands for the impact of the institutional and market environment characterizing the socialist economy at the time of the firms’ founding on its knowledge sets. Apart from the fact that imprinting has differential effects on various attributes of the firm – for example, it strongly affects marketing capabilities, whereas technological capabilities remain almost unaffected (Kriauciunas & Kale, 2006) – the lasting effect of imprinting on economic and institutional aspects of the firm (or society as a whole) is varied as well.

Given that formal and informal institutions are changing relatively slowly, at least compared to the rate of change in the economic organization of society (Kiessling et al., 2009; Kriauciunas & Kale, 2006), studying knowledge processes through the lens of “socialist imprinting” might well be justified. However, now that most TEs are well past the early stages of transition, research should not ignore the impact of more recent socio-economic developments. This situation can be addressed, for example, by means of conducting longitudinal studies. First, such studies will validate or shed new light on the findings of the studies set in early 1990s. Second, they will help trace the evolution of KM practice with its achievements and failures. As illustrated by the findings in Michailova & Hollinshead’s (2009) retrospective analysis of Western manage-

ment training programs, important changes occurred in the design and implementation of Western management training interventions in TEs, as they became “increasingly client-centred and consultancy-based” (p. 123).

RESEARCH ISSUE 2: **From unidirectional knowledge transfer to multidirectional knowledge flows**

The theme of “knowledge transfer” has had a significant position in and a profound impact on KM research. Scholars’ interest in knowledge transfer stems from the widespread belief that transfer enables TE companies to catch up by learning from the West. Extant research has emphasized the role of two major vehicles of knowledge transfer and learning: 1) capital flows (e.g. alliances, acquisitions and joint ventures), inseparable from knowledge flows and 2) training interventions, i.e., formal training or on-the-job training (Michailova & Hollinshead, 2009). The prominence of these modes of knowledge transfer varies as a reflection of the path of economic and political reforms characteristic of a given TE. China with its gradualist approach to economic reforms and a conscious effort to attract FDI has been exposed to Western managerial and technical knowledge mainly through international joint ventures; the primary mode of knowledge transfer to Russia with its volatile economic and socio-political climate (and, as a result, low levels of FDI) has been formal management training (Buck et al., 2000).

Prompted by the economic reforms in former socialist countries with centrally planned economies and their emergence into the international business arena, scholarly inquiry into knowledge transfer is intimately connected with the concept of economic development and restructuring at a national level (Mil’ner, 2001) as well as with changes and transformations at organizational level (Bruton et al., 2007; Pio, 2005). In 2001 Burton-Jones observed that “[i]t can be expected that knowledge flows will become as important as financial flows and that the two sources of capital will need to combine more frequently” (p. 224). It is instructive, therefore, to reflect upon patterns and processes in the flow of financial capital into various TEs to gain insight into the corollary effect of monetary and ideological investment. The transition of former state-planned economies to free markets being the ultimate goal of economic reforms, it has been generally assumed that successful transition is predicated on the transfer of well-tested Western business institutions, economic instruments, and market and management knowledge (Lang & Steger, 2002). In order to attain this goal, attracting foreign capital in the form of FDI was deemed instrumental. As a result, from the early 1990s until the present day, the phenomenon of *transfer* has been one of the central objects of scholarly enquiry in the field of KM in TEs. Running subsidiaries located in TEs and establishing joint ventures with local partners, Western businesses have been confronted with incompatible business practices, differences in perceptions of key business concepts and ineffectiveness of cross-cultural communication (Fabry & Zeghni, 2003; Hutchings & Michailova, 2004). These issues, separately and together, have prompted a stream of studies on knowledge transfer from the West to TEs.

Another important development which has contributed to the popularity of the “knowledge transfer” concept in the context of TEs is the spread of Western management thought through formal management training. Foreign trainers and local program participants experienced a number of issues as to what knowledge is, what is useful and relevant knowledge, whether knowledge can be “packed” and “transported” and if so, how. These questions have served as an impetus for KM studies and the growing recognition of the role of contextual factors in knowledge and KM processes.

Over the period of reform a number of researchers have investigated the phenomenon of organized knowledge transfer from West to East, and the tone of such studies has generally been critical. A number of authorities have argued that a unilateral paradigm of knowledge creation has frequently guided action, with Western providers claiming a monopoly over program ownership and content (Hollinshead & Michailova, 2001). Associated with this, insufficient attention has been devoted by Western teachers and consultants to grounding their material in indigenous economic and cultural circumstances (Holden & Cooper, 1994) and in consequence assistance has seldom been fine-tuned to meet the complex needs of “clients”. As Kostera (1995) and Holden and Cooper (1994) have pointed out, visits by Western trainers to the East have tended to be episodic in nature, with consultants maintaining a degree of social detachment from “clients” and tending to adopt a tutor centred pedagogical style. Further, the cultural gap between learners and trainers has proven difficult to bridge due to problematic issues of language and the translation of business concepts (Jankowicz, 1994, 2001). The very terminology of article titles on the subject of East/ West training has been telling, this activity having been depicted as a “crusade” (Kostera, 1995) with Western trainers referred to as the “missionaries of management” manifesting an “evangelical” style of delivery.

Although these two modes of transfer – capital / knowledge flow and management training programs - have been studied separately and often involve different samples of the studied population, they are based on one common assumption: in order to successfully operate under market economy conditions and gain competitive advantage in the world market, TE companies need to acquire the same or very similar sets of technical and managerial competencies as their Western counterparts. Central to this assumption is the idea of universal applicability of Western knowledge and an “ethno-centric” approach to learning (Michailova & Hollinshead, 2009). As a result, companies and managers in TEs have often been viewed merely as recipients of knowledge (Child & Czegledy, 1996; Michailova & Hollinshead, 2009), and knowledge transfer, conceptualized as uni-directional knowledge flows, as a passive imitative process (Lang & Steger, 2002). Against this backdrop, it is not at all surprising that the value of local managerial knowledge and skills has been largely discounted.

Several arguments have been put forward to explain the inefficiency of the “transfer” theme. A comprehensive explanation has been offered by the proponents of institutional theory. Since the process of transfer “introduces into the focal organization institutional elements from another organization or from institutions in the organization’s

environment” (Lang & Steger, 2002, p. 282), it requires the process of re-institutionalization. Success of the latter is predicated on a concomitant behavioural and cognitive change on the part of the recipient (Child & Markoczy, 1993; Lang & Steger, 2002) as well as on complementary changes in wider institutional arrangements to support the organizational or individual-level change. Additionally, for knowledge transfer to be effective, there should be an element of continuity (Child & Czegledy, 1996) secured by means of preserving or building upon valuable knowledge possessed by the receiving entity. Within the “transfer” paradigm which has so far dominated KM research in TEs, this can hardly be attained as the local knowledge and competencies have been largely viewed as inferior.

To overcome the deficiency of the “transfer” paradigm, several studies have attempted to use a learning perspective to analyze knowledge processes and possible ways to manage them in the context of TEs. There is a growing research community which conceptualizes knowledge processes in local subsidiaries of multinational enterprises and cross-border joint ventures in terms of mutual learning (Engelhard & Nägele, 2003). Management learning, in its turn, is viewed in terms of situated learning, where “knowledge is the result of informal understandings negotiated among members of an organized intellectual community” (Michailova & Hollinshead, 2009, p. 129). We hope that the collective voice of this research community grows stronger and this learning perspective eventually becomes the dominant research theme in KM research in TEs. If this occurs, this line of KM studies should develop stronger links with the theory of organizational learning.

RESEARCH ISSUE 3: **From knowledge transfer to knowledge creation**

Although KM studies brought into existence by the wave of FDI and Western management training have greatly enriched our understanding of the implications of managing knowledge processes in the context of TEs, there is a negative side-effect of this unbalanced approach to the study of knowledge processes in TE-based firms. KM in TEs seems to be rarely studied as a phenomenon in its own right, i.e., as an integral part of modern organizational reality. Instead, it is more than often viewed as a problematic aspect of economic collaboration with a foreign, usually Western, partner. This is unfortunate since TEs are increasingly moving away from resource dependence towards extensive use of sophisticated technologies and knowledge-based societies. This is witnessed by the changing role of local firms and local subsidiaries of multinational corporations and by the emphasis on developing local innovation capabilities. As these processes gain momentum, we would expect to see a clear change from the focus on studying knowledge transfer (typically from more to less developed countries or firms) to knowledge creation processes. It is well recognized that in order to establish a strong independent economy and gain and sustain competitiveness, societies need to develop their own innovation systems and encourage firms to engage in innovation activities (Chaminade & Vang, 2008).

Many TEs have a high potential for innovation. The communist system was development-oriented, transforming predominantly agricultural societies into industrial ones (Sporer, 2004). High standards of technical education and production know-how which have long been an asset in TEs combined with the competencies that accrue to local subsidiaries of multinational enterprises and to local firms through participation in IJVs, creating favourable conditions for the development of local innovation capabilities (Li & Zhou, 2008). However, the development of innovation capabilities in TEs has rarely been studied in the detail it deserves. Some recent studies reveal potential downsides to phenomena previously seen as beneficial for the development of local firms and creating conditions for innovation. For example, the presence of international joint ventures in an industry has been found to have an inverted U-shape effect on local firms' capacity to innovate as local firms grow reliant on their joint ventures for innovative capabilities over time (Li & Zhou, 2008). Capacity to innovate can vary significantly as a function of strategic learning intent that guides local firms in their quest for technological parity with Western producers. Blind imitation, which is essentially a mimicking transfer of Western technological know-how, hampers the firm's capacity to innovate in the future (Li & Kozhikode, 2008). These findings have important implications both for KM research and policy making. In shedding more light on the perils associated with Western knowledge transfer, these findings imply the need for further research on the long-term effects of knowledge transfer and potentially differential value of Western knowledge and know-how for TEs at different stages of economic and industrial development.

Future research can also benefit from the study of lateral knowledge flows between indigenous companies or subsidiaries of multinational enterprises located in TEs and how firms and organizational actors within TEs differ in relation to knowledge processes. Research into learning from other former socialist countries is scarce. Michailova and Hutchings (2006) compared knowledge sharing in Russian and Chinese organizations and proposed that vertical collectivism and particularistic social relations facilitate knowledge sharing among in-group members in both countries while differences in the essence and degree of collectivism lead to different intensities of knowledge sharing in the two cultural contexts. Another study that examined knowledge processes in two TEs (along with two other countries) is the examination of Caterpillar China, Russia, Brazil and U.S. by Ardichvili et al., (2006). These authors explored how knowledge sharing in virtual communities of practice is influenced by cultural factors such as collectivism, competitiveness, face-saving, modesty, in-group orientation, attention paid to power and hierarchy, and preferences for communication modes.

Most studies concur that local firms located in TEs undergoing the process of significant environmental change are better served by knowledge sourced from distant entities that are not located in former socialist countries (e.g., Kriauciunas & Kale, 2006). On the other hand, this view can be challenged on the grounds that due to market similarity and accumulated experience in dealing with similar challenges, knowledge exchange might prove invaluable for firms located in countries at the same stage of

economic transformation. Unfortunately, the value of such local knowledge has so far only been recognized with regard to the advantages it gives to multinationals which can apply this knowledge in other locations.

The study of knowledge exchange among indigenous firms can also be particularly valuable in light of the growing interest in the phenomenon of regional innovation systems in TEs. As is known, the sustainability of regional innovation systems depends on the degree of interaction and knowledge transfer among local firms. However, some of the barriers that hamper both the research and practice of knowledge exchanges between TE firms are caused by the firms (or to be more precise, their management) themselves: there is a lingering fascination with the West as the main source of knowledge and a lack of interest in learning from other former socialist countries (Holden & Cooper, 1994).

Conclusion

KM is a relatively new theoretical field, with a number of unresolved issues, vaguely defined notions and concepts, methodological challenges and differing, sometimes contradictory findings. This paper has addressed a few research challenges in the fascinating context of TEs. As TEs are no more or less complicated than established and developed economies when it comes to knowledge processes and their management, the choice of issues and challenges is countless. We have chosen to focus on three issues which we find both relevant and intriguing in the context of TEs. The first is associated with a shift from extending established knowledge in a certain context beyond this context to developing new and distinct knowledge that is likely to be contextualized and hence, valuable and with practical implications. The second issue relates to a move beyond the dominating uni-directional transfer theme to a view that appreciates multidirectional knowledge flows. Finally, we have argued that gradually, there will most probably be a shift from studying knowledge transfer to examining knowledge creation.

We also expect to see a different avenue in KM research in terms of what kind of firms will occupy scholars' attention. To date, KM studies in TEs have primarily focused on large enterprises rather than small and medium-sized enterprises (Lang & Steger, 2002) with very few exceptions (e.g. Kriauciunas & Kale, 2006; Varintorn et al., 2009; Radzeviciene, 2008). We speculate that there are several reasons for this imbalance. First, like many other management philosophies and practices, KM emerged in large corporations (McAdam & Reid, 2001). So, there used to be a general trend towards studying knowledge processes as they occur in large organizations. As smaller firms are increasingly recognized as key players in innovation activities, the number of studies that look into the processes of knowledge creation in these firms is growing. In TEs, however, the role of smaller enterprises in driving economic development is still minimal (Radzeviciene, 2008); as a result, researchers have not yet turned to studying the specifics of managing knowledge in these enterprises. We suggest the study of knowledge processes in small and medium sized companies as a promising area of

research. As pointed out by Lang and Steger (2002), smaller firms may not feel a strong imperative to adopt Western practices; on the other hand, they might experience a much higher influence of culturally embedded practices. Therefore, these firms could offer a unique opportunity to conduct culturally embedded research into KM issues.

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