Knowledge sharing and organizational culture as cornerstones for international success. The case of Altana

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Preface

The study here following focuses its attention on the pivotal role that knowledge, meant as a real strategic asset, plays within business organizations. More in details, the purpose of this work aims at building a better understanding of how knowledge sharing affects companies’ capability to achieve sustainable competitive advantages. In this context, the exploration of the potential enablers that allow the process to take place, will be conducted; but particular attention will be given to the importance attributed to a trust-oriented corporate culture. Furthermore, the potential linkage between the knowledge sharing process, the culture oriented toward trust, and the internationalization activities and strategies undertaken by companies, will be put under analysis.

In order to provide useful evidence, we will first conduct a literature review with the objective of clearly define what is knowledge, the importance of sharing it within the organizational boundaries and what is its impact on the firms’ performance if such process occurs within a trust working environment; the theory will be further matched and combined with the results coming from the analysis of a case study relative to a Venetian company, whose name is Altana.

The main data sources used for the research mainly consist of academic refereed journals about management, organizational behavior, human resource development, applied knowledge, and information system. In addition, accredited press and also a book dealing with the emerging Italian SMEs were taken into consideration. Additional data were collected from a survey that was submitted to a sample of 14 employees in Altana. These results were analyzed by using the statistical software, namely STATA, and further compared and implemented by information collected through interviews to three members of the company: the CEO, the HR and the CED (Centro Elaborazione Dati) Manager. This unique source of information has allowed to gain the access to useful knowledge, that would not have been able to emerge in other manners.

The work is articulated into three main chapters plus a conclusive section in which considerations, but also limitations of the research will be presented. The first chapter will be devoted to the concept of knowledge and to the need of sharing it among organizations’ employees. In the second one we will give concern to the pivotal role played by culture for pursuing the objectives for which each company exists, with a major focus on trust as one of the principal enablers of knowledge sharing. The third
Chapter, that is the empiric one, will provide a proof of what has been argued by the theory. It allowed to obtain the right “tools” for making useful and interesting considerations of what it is more likely to occur in reality.

Chapter 1
Knowledge and knowledge sharing

The concept of knowledge has always been considered a relevant factor, but it is only in the last decades that it has become increasingly popular in the literature, with knowledge being recognized as one of the most important resources for organizations. There exist many definitions of knowledge, the most dated back to time of Plato and the most recent ones belong to several scholars like Davenport and Prusak (1998:5), Nonaka Takeuchi (1995) etc.

Despite of the light nuances that characterize the different definitions, we agree to consider knowledge as a valuable resource necessary for the achievement of organizations’ competitive advantage. As sustained by the resource-based view (RBV), a company’s sustainable competitive advantage lies in the combination of its productive, rare or unique, inimitable, and non substitutable strategic resources. Accordingly, knowledge represents an asset with the characteristics just listed.

The most extended and yet debated organizational theories of knowledge remark two main crucial distinctions: one regarding the tacit and the explicit dimensions, the other concerning with the general and firm-specific forms of it. Although all of them are critical for a firm’s operations, the tacit and the firm-specific form play a more impressive role in terms of economic performance because they are not easily tradable or reusable by rivals, hence they are difficult to copy and imitate. There is enough evidence about the importance of organizational knowledge; but in order to gain and sustain a competitive advantage it is not sufficient to simply rely on it; organizations should go a step further and recognize the necessity of considering also how to share this expertise and knowledge among its employees. This means that companies should effectively emphasize and exploit the already existing resources by fostering knowledge sharing.

Knowledge sharing is considered a fundamental means through which knowledge is transferred and disseminated from one person to another, allowing to pursue innovation,
better performance, and ultimately a competitive advantage for the organization. In this respect, it is necessary to underline a fundamental distinction between two dimensions of the process that, according to the evidence, tend to show different patterns within companies. On one side we have knowledge donating, that refers to spontaneously transfer of insights; on the other we deal with knowledge collecting, that is shared only when explicitly required. Before going into the details of the literature relative to the critical antecedents of knowledge sharing, we are going to show the main theories adopted to provide explanations to the underlined process. The 1) theory of reasoned action underlines the existence of attitudes and norms that favor the knowledge sharing behavior; 2) the social exchange theory argues that organizational members regulate their interactions on the basis of a self-interested analysis of costs and benefits.; 3) the social capital theory emphasizes the role of close interpersonal relationships as valuable organizational resources able to facilitate members’ interactions. There are three main dimensions of social capital: structural, cognitive, and relational. The first two forms determine whether or not employees have the opportunity to share knowledge, while the third one identifies whether or not they have the motivation to share what they know; and 4) the social dilemma theory describes how the rational behavior of a single individual, that aims at maximizing individual benefits, can lead to collective irrationality. Coming back to the antecedents of knowledge sharing, and making reference to the literature, they can be identified as belonging to the following fields:

1) Organizational culture and climate: in this regard, researchers found that managers, who give attention and importance to knowledge sharing among employees, are likely to create a supporting climate for the process by enhancing a considerable degree of trust, cooperation, low competition, management support, a little centralized structure, and high job rotation;

2) Interpersonal and team characteristics: the features to which we refer includes the effects of turnover, diversity and social networks. More in details, a low turnover, less diversity, and solid social networks are likely to encourage the studied sharing process. In this respect, special importance is given to the existence of the so called communities of practice, meant as work related groups of individuals who share common interests or problems, beyond the boundaries of the organizations. This not only facilitates knowledge sharing, but also enhances the quality of the exchanged information;
3) **Individual characteristics:** researchers found that members with greater openness of mind, those who feel more confident with their ability and those who have more experience, report major commitment and engagement in knowledge sharing behavior;

4) **Motivational factors:** they can be classified in internal and external. The former include perceived benefits and costs, interpersonal trust and justice, reciprocity, and individual attitudes; while the latter comprise relationship with recipient and rewards for sharing. Internal motivation is believed to have a more impressive positive effect on the process.

Other than facilitators of knowledge sharing, also some barriers to the process exist and need to be considered. When culture is not likely to emphasize the importance of the practice, it could become the major obstacle. The literature identifies further barriers to knowledge sharing, such as the **power of perspective** (individuals retain knowledge because it could be a source of power), a **high level of apprehension** (perception that knowledge which is going to be shared is inaccurate), and a low perception of the **benefits/cost ratio** (individuals do not feel enough incentive and motivated).

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**Chapter 2**

**Matching knowledge sharing and organizational culture: the role of trust**

As argued in the first chapter, corporate culture represents one of the most influential enablers of knowledge sharing and, as relevant studies demonstrate, trust is the dominant aspect in terms of contribution for the process to take place. Given the multitude of attributes to be used for providing the countless definitions of culture, we considered the most accredited ones and thus also the ancient definition supplied by Shein (1995). According to him, culture is viewed as the group of shared values, beliefs, and practices that govern the life of people within a community. In particular corporate culture articulates across three dimensions: basic assumptions, values, and norms. These three dimensions are going to affect the behaviors of individuals within an organizational setting; in turn, such behaviors will have an influence on the way knowledge is generated, shared, and used.
Following a similar pattern, it is also possible to distinguish corporate culture along two layers: the visible and the invisible one. The visible dimension materializes in the tangible elements, while the invisible one resides in the “seen but unspoken” sphere of culture. The two are linked by the behavior of organizational members. In fact, the core values of a corporate culture are not communicated through orientation programs, rather they are shared through members’ actions, way of speaking, and way of interpreting the entity around them. It can be easily imagined that corporate culture belongs to a broad world and, as a matter of consequence, it can assume many facets. However there is no culture that is classified as perfect, but each is certainly highly suited to the context where it has been developed and for the objectives intended to be achieved. In this regard, we take into account the models developed by Ribière (2001) and further implemented by Goffee and Jones (2009). According to Ribière, cultures are generated by matching the degree of trust and solidarity; while for Goffee and Jones the variables of interest are solidarity and sociability. On the basis of the same pattern, we also identified the classification of Ogbonna and Harris (2000) who identified four factors of influence that give life to the following culture types: innovative, competitive, bureaucratic and trust-oriented. In particular, the latter refers to a context in which commitment, loyalty and tradition occupy the first positions for their importance. A company of this type is personal; it is like a big family where cohesion and morale govern individuals’ behaviors.

Before going deeper into the trust oriented culture argument, it would be preferable to underline what is meant by trust. Trust consists in the belief that another individual makes efforts to fulfill commitments, is honest, and does not seek to take unfair advantage of opportunities (Dirks and Ferrin, 2001). Trust can assume multiple aspects and can manifest in numerous manners, but it mainly presents three facets that are considered among its principal antecedents: capability, benevolence, and integrity. Capability is the combination of skills and competencies owned by the giving party (trustee) and necessary for demonstrating the ability to obtain results expected by the receiver (trustor); benevolence is the extent to which the trustee is believed to want to do good for the trustor; and integrity deals with the perception that the sender adheres to a set of common and acceptable principles. According to this definition, we can argue that trust is independent of the role occupied within the company, rather it is based on human relations; in fact, if the level of trust is linked to the working position, the risk is that the sharing of knowledge could realize just from the top to the bottom, on the
contrary, the result would be a more natural sharing of insights that will involve all the employees and will flow from any direction.

In today’s knowledge economy, trust is believed to be the main facilitator in a knowledge sharing culture because it increases individuals’ need of fidelity. The need of fidelity is necessary for providing, sharing, and acquiring useful insights through improving the ability of collaboration and cooperation within the organization. Moreover, it is important to notice that trust between employees, as well as trust within an organization is equally important. That is, when employees trust both each other and their company, they are more willing to listen and absorb the shared insights. In other words, with no trust the knowledge exchange process may not reveal accurate, comprehensive, or timely occurred.

Trust affects knowledge sharing in two ways: directly (main effect) and indirectly (moderating effect). Considering the main effect, trust affects the final companies’ performance, through directly impacting certain behaviors (e.g. cooperation). On the other side, trust acts as a moderator by influencing the primary organizational aspects such as roles, rules, structure, culture and norms. Existing researches did not find strong evidence about the positive effect of trust on knowledge sharing, but they provided a proof that if the degree of trust is low, this has a negative influence on the process (i.e. Dirks, 1999). More specifically, lower levels of trust are certainly associated with suspiciousness of the information, suspiciousness of the goal, and decision acceptance, as well as uncertainty in the final performance. Another important aspect we tried to point out, is the role played by trust as the motivational factor encouraging the sender to give knowledge and the receiver (or recipient) to accept and use it. Many theories exist in this respect, each of them underlining a particular aspect, but no one is able to provide a complete explanation; for this reason we are going to propose the interaction between the following major theories: 1) the incentive theory (it assesses the extent to which providers share their knowledge with recipients), 2) the goal-setting and 3) social cognitive theory (they focus on the motivational role trust may play in influencing the degree to which recipients’ self efficacy translates into performance goals), and 4) the social motivation theory (dealing with tools and norms that are likely to affect individuals’ motivation).

By integrating incentive and social motivation theory, we find that incentives alone (i.e. rewards) have a weak influence on knowledge sharing; however their effects are strengthened when mutual norms for exchange are developed between the sender and
the recipient. In other words, strong norms that encourage the transfer of knowledge will correspond to equally strong positive relationships between incentives and knowledge sharing. The integration between goal-setting and cognitive theory focuses on assessing the performance of an organization by considering its ability to apply the acquired knowledge. In this respect, it has emerged that recipients with a higher degree of self efficacy, feel also to have greater security to set and reach higher performance goals. This is likely to verify when they trust their partner, otherwise the recipient is not in the position of taking more risk in setting major objectives. Finally, by integrating incentive and goal-setting theory, we underline the importance of putting into practice the acquired knowledge, once it has been shared. This becomes possible when successful knowledge is able to procure high motivation for both the provider and the recipient. The former should actively and openly share what he/she knows, while the recipient should set goals achievable through seeking out and integrating the new insights coming from provider. As a matter of fact, this is likely to verify when the degree of trust is perceived to be enough high.

Chapter 3
A real case: Altana.
Assessing knowledge sharing, trust, and internationalization

After having focused our attention on the main theoretical aspects dealing with knowledge sharing, organizational culture and trust, we are going to provide an empirical evidence of that in this section. Furthermore, we will make considerations concerning the linkage existing between these factors and the internationalization activities of our target firm, namely Altana.

Altana is the Italian leading company in the management of brand licensing agreements, it operates in the kids wear market sector and serves the medium-high target level. It occupies an intermediate position in the sense that it is relatively small with respect to the competitive context of the clothing sector, but, it is also relatively large compared to its direct rivals, which are firms focused on the brand licensing of the kids target. The company has affirmed its presence not only in the national setting, but also in the international one in which it realizes 70% of its production. In this regard, the project of increasing also the level of export in the foreign countries is being supporting by the
business entity. The choice of the target company is attributable, other than to the leading position occupied, also to the dynamism, efficacy and professionalism for which the business entity stands out.

The research methodology can be synthesized into three main steps: 1) a survey concerning the knowledge sharing enablers was submitted to a sample of 14 Altana’s employees; 2) data questionnaire were elaborated through the use of a common statistical software, that is STATA; 3) lastly, the realization of three personal interviews to three firm’s representatives. The latter has given an interesting and unique contribution to the entire research, permitting to clarify and compare previously emerged insights, and to obtain perceptions and opinions from individuals with dissimilar backgrounds and roles. This has favored the identification of different perspectives regarding the same issue and thus the possibility to build a more objective picture of the situation.

By analyzing the dataset, we looked at two forms of knowledge sharing as dependent variables: knowledge donating and knowledge collecting. In this regard, we found that employees perceive that their co-workers are more likely to share what they know when they ask to do that (knowledge collecting), and less likely when nothing is explicitly asked (knowledge donating).

The independent variables that are likely to affect the dependent ones, and that will be first placed under analysis, are the four types of corporate culture: innovative, bureaucratic, competitive and trust-oriented. From this focus, it has emerged that the Venetian company is highly innovative, in the sense that it is highly committed towards the development and deployment of new ideas and resources; moreover the degree of bureaucracy is also consistent, but we need to know that bureaucracy is not always a bad word, rather it aims at guaranteeing a correct functioning of the underlined system, by providing a guide for employees’ actions. Of course a too bureaucratic organization will lead to a slowdown of the decision making process. The latter is exactly the situation that Altana would prevent from happening. For what the competitive culture is concerned, we found that the degree of competition that characterizes the whole firm is very high and refers to the ability of achieving and measuring the set objectives. The fourth variable, that is trust, is an indicator of many aspects that contribute to make the organization a sort of “community”. In fact, it includes the level of commitment towards the company, the degree of loyalty, the presence of traditions, the extent to which individuals perceive the company as a second big family, the level of cohesion and
morality, and other similar issues. Employees expressed that the degree of trust is quite good, but we need to go beyond these perceptions in order to understand the importance of this variable toward knowledge sharing, company’s performance and international engagement. These aspects will be better clarified through the interviews. Further, the understanding of the relationships existing among these variables was useful to understand if the presence of one of them could condition also the presence of another. However this is not the case, given the low or, in some cases, the medium level of correlation that was found.

Despite we considered these variables the most influent for the research, we also identified others which are likely to exercise an impact on the studied process. Among them, certainly, we considered the knowledge sharing oriented culture. It is perceived as high and it tells us how each employee perceives his/her company likely to share information, ideas and abilities with peers.

The variables we took into account are the following: knowledge sharing structure, job rotation, degree of autonomy, rewards, helping others, and self efficacy. Not surprisingly, the knowledge sharing structure is highly correlated with the knowledge sharing culture, thus, in the case of a potential regression for understanding the effect on knowledge sharing, we would include just one of the two. Apart from the job rotation, all these variables are perceived as medium high by the respondents and, according to the literature, this scenario is likely to favor the sharing of knowledge within the business context. Moreover, the low perceived job rotation is in contrast with the evidence provided by the interviews, in fact it has emerged that every employee in Altana has to rotate in order to completely have an idea of what is going on in any corner of the entity; but if we have a look to the data, it seems to be exactly the opposite. In order to clarify ambiguous aspects, as the one just mentioned, the possibility to interview the three firm’s members revealed successful. The main argument raised from the interviewed was concerned with the strategic value that they associate to the sharing of knowledge, thus we can argue that it represents one of the keys for success.

In particular, knowledge sharing occurs at three levels: Altana takes care of it for communicating with its brand partners, with other business organizations being part of Alchimia holding (to which also Altana belongs), and within the company itself. In this manner Altana has been able, across the years, to achieve a considerable degree of flexibility that revealed the right way to pursue success in the licensing business. In fact, the Venetian firm needs to fulfill all the different needs and
requirements set by the licensors and to respect all the guidelines suggested for the complex child world. Many times the company benefited from services provided by other entities in the holding; but it mainly tries to improve and intensify the knowledge sharing behavior within its own entity. With this intent, the practical tools implemented ensure a proper balance between ICT systems (especially e-mail) and face-to-face approaches that could be both formal (e.g. weekly established meetings that involve all the departments, also those that could seem less interested directly) and informal. Thanks to the importance that is given to human relations, the latter constitutes a cornerstone for the process to take place. In this respect the role played by the well rooted communities of practice is crucial. As a matter of consequence, employees who have been working there for longer time (the turnover is extremely low), feel the organization as a big family in which a high level of sociability and solidarity coexist. All these features lead us to think of the company as a culturally oriented toward trust. But this is not only a perception, it is reality. As the CEO stated “trust is what for which I fight every day. The important thing is that employees trust each other. Probably for me it is easier, everyone trust me because I am their representative. Trust does not depend upon the role that individuals play, rather a person should trust another because he/she really believes that what the other is doing is the right thing”. Under this logic, she also remarked that in order to embed trust into Altana’s culture it has been necessary to work hard for having a great communication, as well as having a point of reference (herself) who first trusted and respected the others. The commitment involved by the CEO reflects also in the perceptions of her collaborators who consider the existing level of trust as good. They also recognize that their leader is a motivating force able to convey positivity, enthusiasm and trust. This orientation of the corporate culture contributed to bring out another fundamental element concerning the strategic value of knowledge and its relative sharing process. In fact, despite the sharing of any insights is vital for the organization, the CEO does not forget that leaving space to each employee is equally important. Having its own space means having the possibility to express its own ideas, opinions, perplexities and disagreements. It is in this manner that everyone will gain the chance of being rewarded. The working environment here emphasized is further supported by a lean and little bureaucratic organizational structure. This does not mean that bureaucracy does not exist, but it does not obstacle a fast and efficient decision making process. Everything occurs informally; formality enters into action only when the roles need to be respected. The cultural environment of Altana has
allowed the company to share ideas, opinions, problems and everything else from any
direction within the organization; in this way they were able to become flexible (they
consider themselves an always start up ready to continuously engage in new projects
with many brand partners), innovative and open to new challenges. One of the most
recent challenges regard the expansion in the international panorama. Even if the
company holds the majority of its production abroad, it wants to assert its presence in
the foreign markets as an exporter, aiming at USA and China as the main target
countries. In this scenario, thanks to the “T disk” software (disco T), they could know
that also Germany was a market interested to one of their brand. Without this program,
they could never imagine to have success there. Nowadays other systems are being
implemented in order to deepen the knowledge of that market. In the meanwhile, some
other software have already been installed. This mainly occurred after the hiring of a
Sales Manager which objective is the one of making Altana more international. The
main challenge is adapting employees’ minds to the new world that is extremely
instable, competitive and geographically broad. The above mentioned Manager
organized an international department who is charged to carry out all the international
activities, but they also have another important duty: sharing all their knowledge and
abilities in this field to all the individuals in the company. Hence, we can argue that two
main strategies of internationalization are identified and applied by Altana: the selection
of the brands and the international mentality. The brands selected are always known,
thus they are characterized by a high degree of awareness in all over the world. In this
way the Venetian company not only can improve its reputation on a large scale, but it
can also learn from the international experience of the parent brands. For what the
mentality concerns, we mainly refer to the selection of a non random Sales Manger (he
came from a big international company, so with great experience in the field) and to the
will of guiding hand all workers in a process of change and adaptation to the
international setting. Under this perspective it is reasonable to conclude that Altana
hopes to reinforce its presence abroad by acting as a team, by relying on the corporate
culture built across the years, and by continuously innovating human minds.
Conclusion

The overall research aimed at building a better understanding of the knowledge sharing process, taking into consideration its major enablers. Among them more importance was given to the environmental context of business organizations and particularly to a trust-oriented culture. Considerations regarding the impact of these factors on the internationalization activities were also made. The evidence of that was provided by the study of a target company, Altana. We could observe that trust allows to exchange useful knowledge that is beneficial for the ends of the business. This is possible because when the level of trust is perceived as high, then the sharing of knowledge becomes independent from the role played by the sender, as well as its utilization becomes independent from the role of the receiver. Knowledge is exchanged and used because there is a real feeling that it can reveal relevant for the final purposes of the entity. In sum, trust is something related to human relations and to the will to pursue a common objective. As a consequence, this scenario is more likely to occur if also other factors enter into play, we mainly refer to the existence of communities of practice, to a high degree of cohesion or to the awareness of being considered important puppets of the game. If all these elements exist, then it will become easier to share what is known with peers. This process will have as primary purpose the one of bringing home a satisfactory result for the company and, in return, also for the individual itself. In addition, we noticed that this way of behaving could increase the desire of organizations towards the international landscape. This issue finds its proof in the fact that the sharing process needed to be reorganized in the target company, and the corporate culture needed to open to the “new world”. The solid bases built by the firm across the years have given the right impetus to undertake new projects and to easily and quickly adapt to markets’ changes. In this context trust is even more important, since it represents the linking element between the past, the present and the future perspectives. However, some limitations of the research need to be considered. They regard the scarcity of quantitative data available, the study of a single business sector and of a single organization. By expanding the horizon and by considering a greater number of entities could help to gain a more total a reliable vision of the phenomenon.
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