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KNOWLEDGE ECONOMY DETERMINED BY CULTURAL DIMENSIONS

Abstract:

The forthcoming transformation of the materialistically based paradigm, which is growing into post-materialistic paradigm, is associated with new approaches to economy and management. Enterprises must deal with new problems and challenges in the global environment. The globalization may be characterized by global flows of capital, goods, discontinuous changes and particularly information in the economic environment. In these conditions it begins to talk about a "new" economy - a knowledge economy.

The paper is based on the research project of the Grant Agency of the University of South Bohemia „Human Resource management of small and medium-sized enterprises“[039/2013/S] and also on data, which was gained from cooperation with students.

The knowledge economy has recently been increasingly discussed topic and it can be defined in many precise and exhaustive definitions. One of the new approaches may be its defining via cultural dimensions of G. Hofstede. These cultural dimensions also determine the status of the corporate culture. The corporate culture (together with an atmosphere, which it creates) can have a positive or a negative impact on all the activities in the enterprise. It may therefore contribute to maintenance the competitiveness and better efficiency. Among the desirable cultural dimensions of knowledge economy are the small power distance supporting the transfer of knowledge. Collectivism, which is related to synergies of leading teams as well as to use of tacit knowledge. Femininity with its atmosphere of trust, allowing the development of human potential and care for the quality of life and the environment which leads to the corporate social responsibility. And the acceptance of changes arising from discontinuous flows of the globalization. And the long-term orientation, which is associated with the investment in human capital.

The aim of the paper is finding out the state of transformation of surveyed enterprises into the knowledge economy.

Keywords:

corporate culture, cultural dimensions, knowledge economy, new economy

JEL Classification: M14, M12, M10

INTRODUCTION

Every modern organization must be able to face changes - especially social, economic and technological changes. However the new is a permanence, dynamics, increasing frequency, complexity and the globalization of changes in an increasingly tougher conditions, expanding and growing competition. The modern market economy is - whether we like it or not - the economy of turbulence. There is nothing unchanging, permanent, the status quo belongs to the past (Barták, 2007).

Gibson (2007) states that the world is entering a "new economy" – "the knowledge economy"

According to Kislingerová (2011) in recent years there have been many adjectives, which are assigned to the term of economics. They probably emphasize changes, which have occurred. The term "new" economy is only one possible connection. In addition to the adjective "new" the phrase "knowledge economy" is used even more. The knowledge economy has the ambition to indicate the status of social cooperation, where the formation of product depends on capital and labor, in addition to capital, labor and natural resources (technical progress) on other factors like education, which is often confused with innovation abilities in this context. The basic competitive advantage of economics (within the meaning of the national economy) is becoming "the innovation potential". That is the ability of the economic system continuously coming up with such modifications of social cooperation that bring the product more marketable, than the product of other countries (enterprises, communities, regions).

Corporate culture and its management in today's society is becoming a global trend, which helps to maintain the competitiveness not only in the local market, but in the global environment. Desirable corporate culture is a crucial factor in the successful development of the enterprise and according to Krninská (2002) the corporate culture will be a primary element of modern management for the future of the knowledge society, contributing to control and motivating employees to undergo self-knowledge, self-development and self-realization. By undergoing this developmental stage the individuals can spontaneously enter the process of lifelong learning (both professional and personal), developing their creative skills necessary for the knowledge economy.

The corporate culture is a model of basic and crucial ideas that were found or created, exposed and developed within a certain group which turned out to deal well with problems of external adaptation and internal integration and which are seen as generally valid (Bedrnová & Nový, 2007).

Kotter in Gibson (2007) states that we know that it is possible to have a culture that does not hinder the forward progress, but it helps to adapt. Thus, if we count with several other decades of rapid changes, we will have to learn how the organizational culture does something that will not be a brake. But what will be support instead of the brake to adapt companies.

Cultural dimensions

According to Hofstede & Hofstede (2005) we perceive values as a general trend to differ some facts from other states, and thus it is possible to define the heart of the culture. Values are associated with feelings that have a specific direction, a positive or negative aspect, and indicate what surrounds a human in the categories of “good or bad, true or false, beautiful or ugly, rational or irrational,...”; they provide the possibility of orientation in the world by the fact that the social reality is structured in terms of importance and corresponding hierarchy. Cultural dimensions according to Hofstede (1999, 2005), based on similar contradictions, will be described in detail in this study.

For an easier understanding of the different indexes and cultural dimensions that are included in these indexes, the authors present a simple overview, taking the bold dimensions, which are, according to the authors, desirable for corporate culture in the knowledge economy.

Table 1: Overview of the indexes of contrasting cultural dimensions with relevant values

Name of index	Value of dimension	
	Lower than 50	Higher than 50
Power distance (PDI)	Small distance	Big distance
Individualism vs. Collectivism (IDV)	Collectivism	Individualism
Masculinity vs. Femininity (MAS)	Femininity	Masculinity
Uncertainty avoidance (UAI)	Acceptance of risk	Uncertainty avoidance
Long-term vs. Short-term orientation (LOT)	Short-term orientation	Long-term orientation

Source: *Krninská & Duspivová (2013, p. 143)*

Power distance (PDI)

Within large power distances superiors and subordinates consider one another to be existentially unequal. It is felt that the hierarchy of power is based on this existential inequality. Enterprises centralize power as much as possible and divide it as little as possible (Hofstede & Hofstede, 2006).

In a situation of the small power distance the subordinates and superiors are considered to be existentially equal. The hierarchical system just means inequality of created roles, because it is necessary. These roles may change, so the person who was a subordinate yesterday may be the boss tomorrow (Hofstede & Hofstede, 2005).

Individualism vs. Collectivism (IDV)

The employees in an individualistic society are considered to be act in accordance with their own interest and the work should be organized so that their interest and the interest of the employer match (Hofstede & Hofstede, 2006).

In the collectivist culture the employer never accepts the individual only, but rather a person belonging to a certain group of "we" (Hofstede & Hofstede, 2006).

Masculinity vs. Femininity (MAS)

Enterprises in masculine societies emphasize results and try to reward fairly, i.e., to each employee according to his or her results. Organizations in feminine societies prefer to reward people on the basis of equality, i.e., to each person according to his or her needs (Hofstede & Hofstede, 2006).

Uncertainty avoidance (UAI)

In an environment in which people avoid uncertainty there is a number of formal laws and informal conventions that determine the rights and obligations of employers and employees (Hofstede & Hofstede, 2006).

Having small uncertainty avoidance the enterprises are more likely to cope with the opposite of that, the horror of the formal rules. The rules are implemented only in cases of absolute necessity (Nový, 1996).

Long-term vs. Short-term orientation (LOT)

In the short-term orientation if exaggerated, the personal peace and stability can discourage from initiative, risk-taking and willingness to change, which rapidly changing market conditions require upon the businessman (Hofstede & Hofstede, 2006).

In an environment with a long-term orientation the family and the work are not separated. The values of the LOT pole support business activity (Hofstede & Hofstede, 2006).

METHODOLOGY

The aim of the paper is finding out the state of transformation of surveyed enterprises into the knowledge economy.

The paper is based on the data acquired through questionnaires within the Grant Agency of University of South Bohemia in České Budějovice GAJU 039/2013/S „Human resources management in small and medium-sized enterprises“, which is focused on human resources management and its detailed aspects, including corporate culture. And also from data, which was gained from cooperation with students and their thesis, which include the questionnaire VSM 94 (Hofstede, 1994).

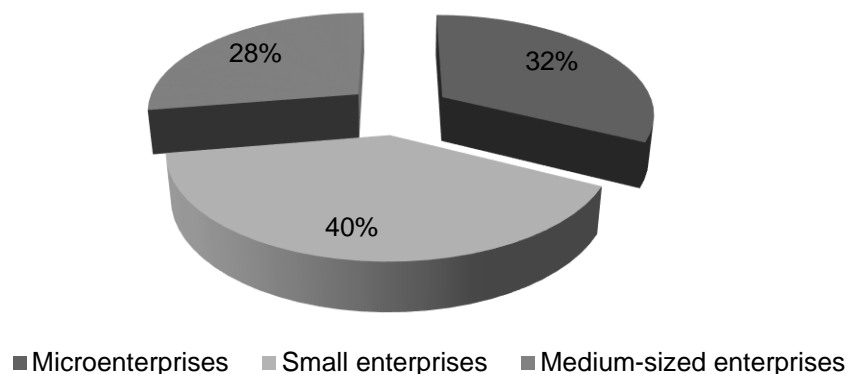
A structured questionnaire „Human resources management in small and medium-sized enterprises” (hereinafter referred to as the questionnaire) was filled in both by employees and managers of small and medium-sized enterprises. The questionnaire included identification of the business, such as company name, identification number, sales area of products and services, participation in a chain store, foreign connections, outsourcing etc. It included questions on human resources management, for example whether a company creates a strategy in the field of management of human resources (including the number of managers or the number of women employed in the business). Enterprises also had to evaluate the process of human resource management compared to other processes. In the questionnaire there were also questions about cultural dimensions of the corporate culture. Next, the managers had to choose one of the two words that would express their conception of

corporate culture. These terms have been selected according to the opposing cultural dimensions of G. Hofstede (Hofstede, 1994). For the power distance were chosen "Coherence" for the small power distance and "Respect" for the large power distance. Next, it was a "Sense of teamwork" for collectivism and "Responsibility of individuals" for individualism. The other desirable dimension includes femininity, for which the term "Understanding" was chosen and its opposite was "Success". For the desired dimension of weak certainty avoidance the term "Acceptance of changes" was chosen and for the strong certainty avoidance the term "Need for certainty" was chosen. For the important long-term orientation the word "Investment" and the word "Immediate profit" was chosen for the short-term orientation.

The structured VSM 94 questionnaire (hereinafter referred to as VSM 94) was filled both with executives and employees of the same small and medium-sized enterprises. VSM 94 was evaluated according to the methodology for data processing of VSM 94 (Hofstede, 1994). According to this methodology, individual indices of the dimensions take values from 0 to 100, but it is not an exception that it takes lower or higher values. Individual indices imply two contradictory cultural dimensions; the first one is achieved when the results range from 0 to 50 and the second dimension is achieved when the results range from 50 to 100, see Table 1. According to the authors the middle values (about 50) are in a grey zone, also called the transition zone, where it is not clear which dimension the company adheres to. For this reason, the intervals of evaluation are distributed as follows: $(-\infty, 40)$ for the first cultural dimension, $(41, 60)$ for the so-called grey or transition zone and $(61, \infty)$ for the second, opposite cultural dimension.

The above mentioned questionnaires were completed in 105 small and medium-sized enterprises of the South Bohemian Region.

Figure 1: Distribution of the sample by size of enterprises



Source: elaborated by the authors

Enterprises were divided into microenterprises (0-9 employees), small enterprises (10-49 employees), and medium-sized enterprises (50-249 employees). These categories of enterprise sizes defined by the number of employees were determined by Commission Regulation No. 800/2008. The distribution of companies in the survey sample (Fig. 1) is as follows: 32% of microenterprises, 40% of small enterprises and 28% of medium-sized businesses.

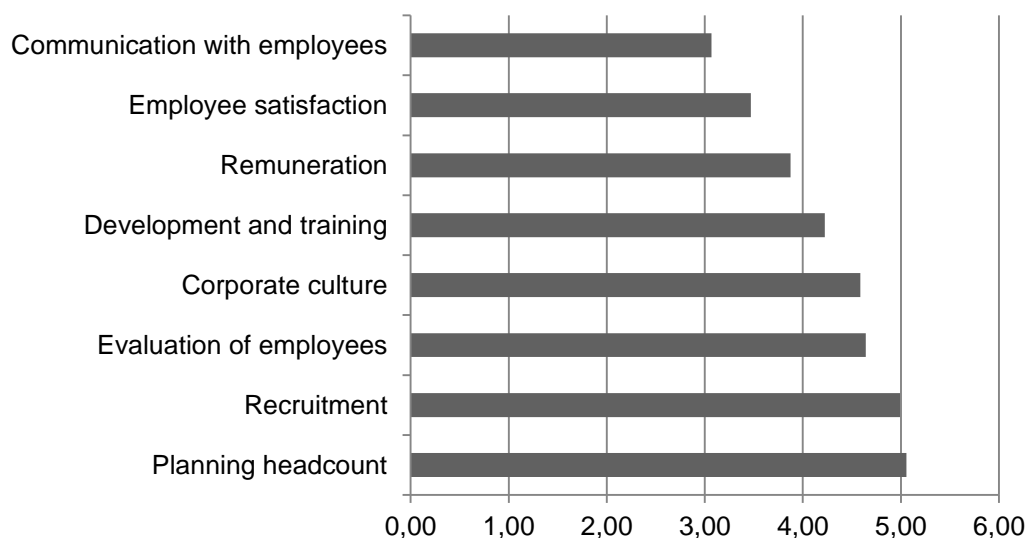
In the examined sample, the following sectors are represented: trade 29%, services 30%, construction 8%, manufacturing 33%.

In this paper, results of cultural dimensions have been investigated for companies according to size as well as for the entire research sample.

RESULTS AND DISCUSSION

Surveyed respondents were supposed to assess the importance of each field of human resource management. They could choose a value from 1 to 8, where 1 denoted the most important field of human resource management and 8 the least important one. Key fields for the surveyed small and medium-sized enterprises of human resource management (HRM) are (Fig. 2): as follows Communication with employees, Employee satisfaction, Remuneration, Development and training and **Corporate culture**. One can say that other fields of HRM such as Communication with employees, Employee Satisfaction, Remuneration and Development and training are also related with a corporate culture (for example with an atmosphere in the workplace, power distance, ...).

Figure 2: Fields of human resource management according to their importance



Source: elaborated by the authors

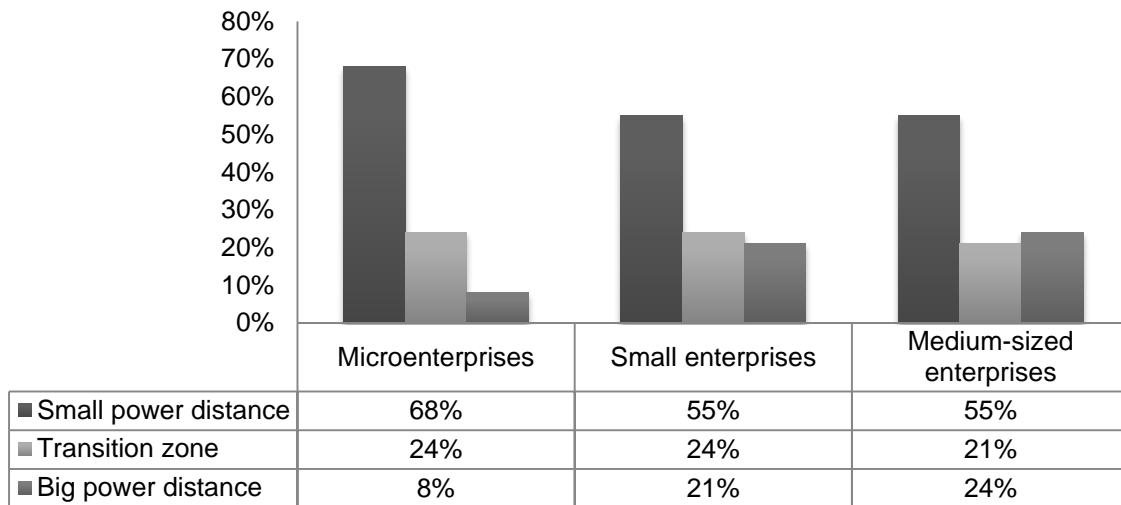
The respondents reported that building a corporate culture is the most important and very important for 55% of corporations, slightly important for 34% of them, a little important and unimportant for 11% of companies.

Power distance - PDI

The small power distance is the desirable cultural dimension to reach the knowledge economy. It can express cohesion between subordinates and superiors, and enables the development of the human capital in the direction of the process of self-realization. It generally allows contributing ideas to the development of the company and working with an innovative potential of the company to all employees. It also supports the

transfer of information and it is a prerequisite for their better utilization (Krninská, 2014).

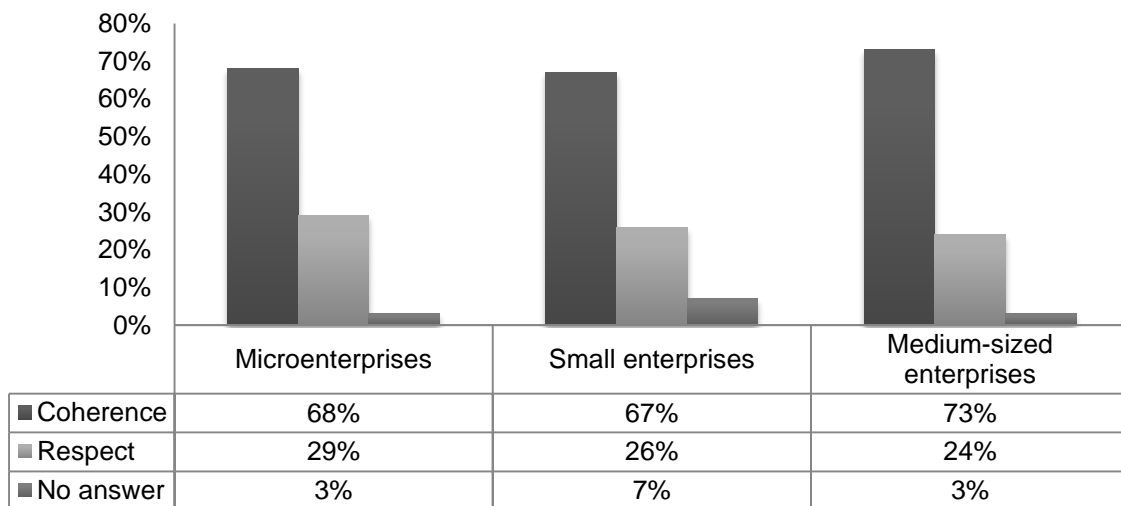
Figure 3: PDI according to size of enterprises



Source: elaborated by the authors

Micro-, small and medium enterprises tend to small power distance. Nearly a quarter of surveyed companies are in the transition zone. Microenterprises are most inclined to the small power distance; it may also be due to a small number of employees (1 - 9 employees) and therefore less formal relationships in the workplace.

Figure 4: Percentage distribution of SMEs within the selected terms



Source: elaborated by the authors

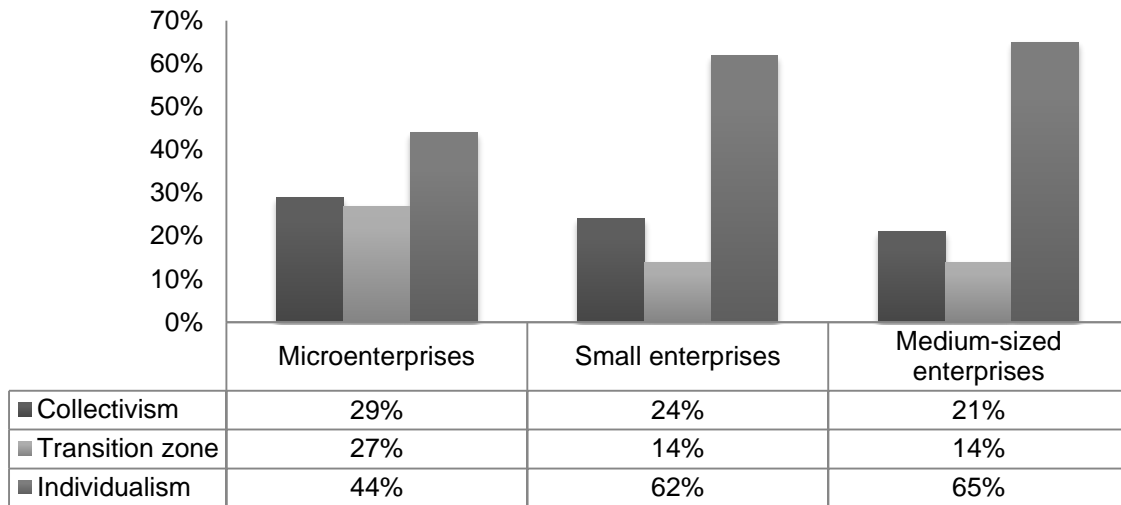
From the figure 4 it is obvious that surveyed enterprises prefer Coherence to Respect, mostly medium-sized enterprises (73%).

Individualism vs. Collectivism - IDV

Collectivism is the desirable cultural dimension of corporate culture in the knowledge economy, which is opening a possibility of cooperation and teamwork, since the individual is encouraged to give their unique individual abilities for the benefit of the society (Krninská & Duspivová, 2014). The teamwork opens new ways to work

together not only with explicit but especially with tacit knowledge and therefore with the development of human potential in a new way and with the possibility of innovative approaches. (Krninská, 2014).

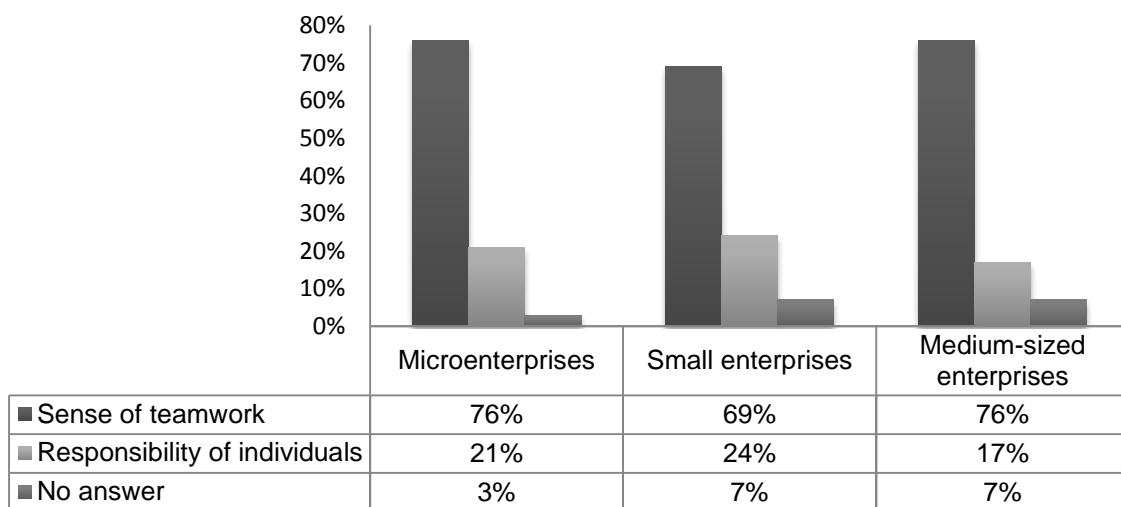
Figure 5: IDV according to size of enterprises



Source: elaborated by the authors

Figure 5 shows that companies incline to individualism. More than a quarter of microenterprises are located within the transition zone.

Figure 6: Percentage distribution of SMEs within the selected terms



Source: elaborated by the authors

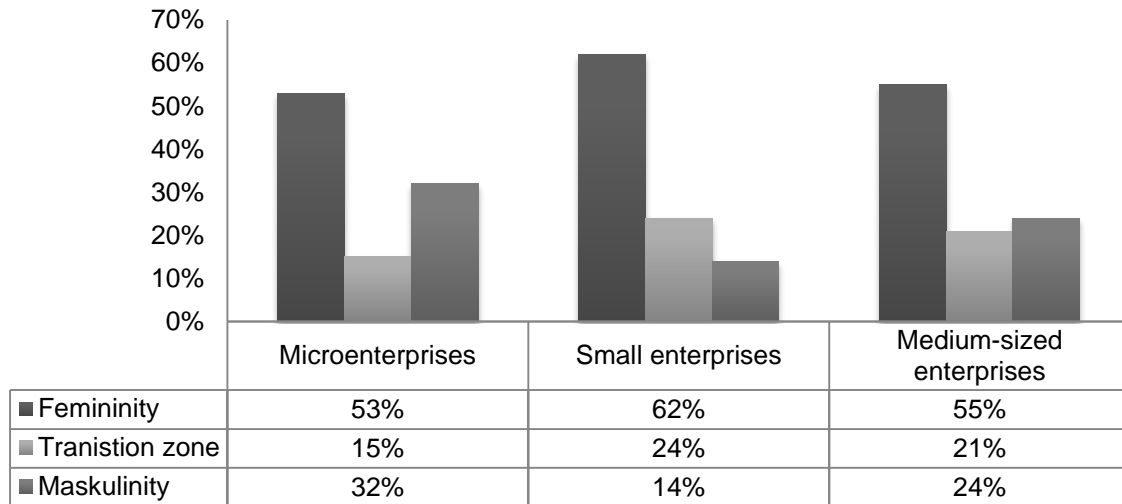
However managers prefer Sense of teamwork to Responsibility of Individuals in their minds. It is a desirable state, which could help to shift towards collectivism.

Masculinity vs. Femininity - MAS

Femininity is the desirable cultural dimensions of organizational culture for knowledge economy, opening the care of mutual interpersonal relationships guaranteeing an openness and trust as a precondition for self-knowledge and self-development processes. It is therefore an essential precondition for the development of the human capital. An atmosphere of openness and trust are the strongest factors that ensure

continuity and transfer of knowledge. And thus they have an influence on the performance of the organization. Caring for the quality of the environment is also associated with a responsible attitude towards the concept of corporate social responsibility (Krninská, 2014).

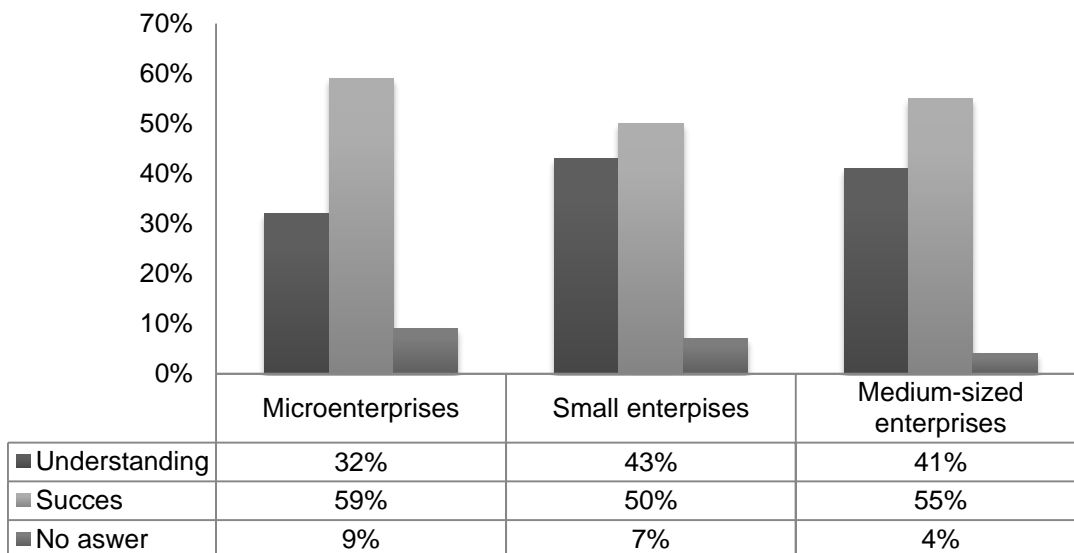
Figure 7: MAS according to size of enterprises



Source: elaborated by the authors

Figure 7 shows the preponderance of femininity in surveyed companies. 15- 24% of enterprises are placed in the transition zone.

Figure 8: Percentage distribution of SMEs within the selected terms



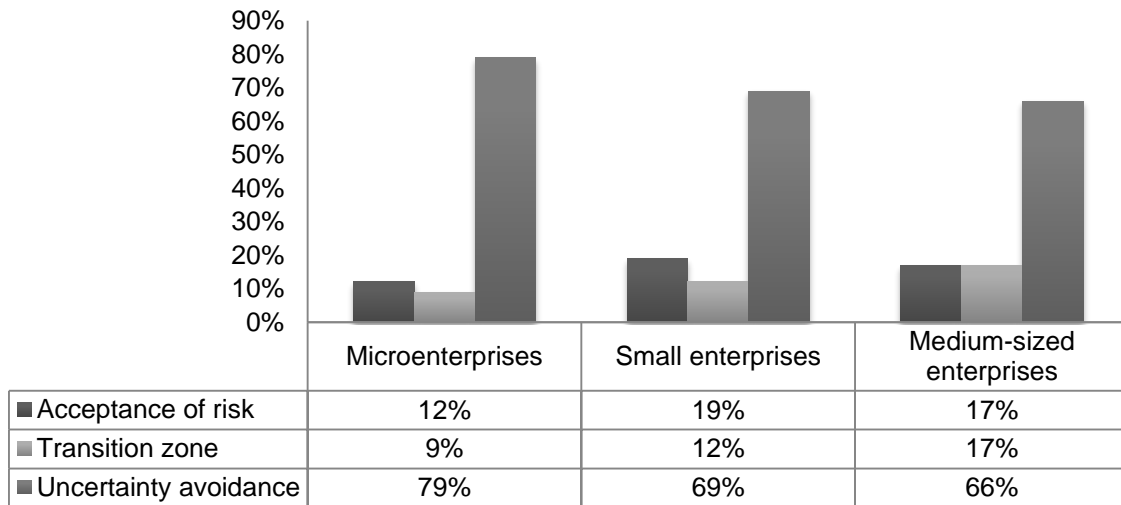
Source: elaborated by the authors

Conversely, many firms prefer Success before Understanding, as it can be seen in Figure 8. This difference is not as highly significant at small and medium-sized enterprises. This may be caused due to the fact that the word "Success" may evoke success in the market, thus competitiveness, which is a crucial issue in times of ongoing economic crisis.

Uncertainty avoidance - UAI

The small uncertainty avoidance, change management and risk are a desirable state of the cultural dimension of the knowledge economy, allowing easier dealing with discontinuous changes in a global society (Krninská, 2014).

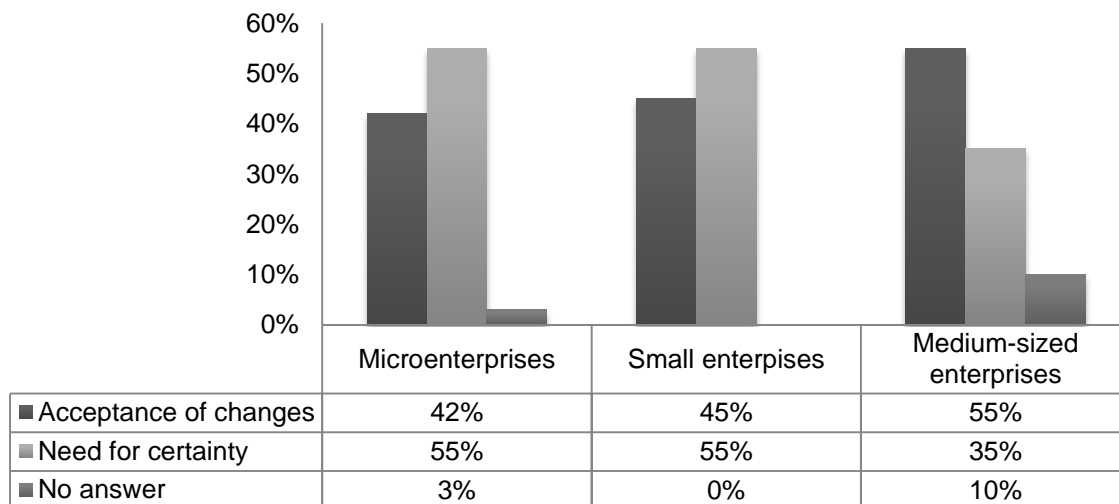
Figure 9: UAI according to size of enterprises



Source: elaborated by the authors

Enterprises clearly tend to uncertainty avoidance (Fig. 9); it may be due to the discontinuous changes in a turbulent environment and the ongoing economic crisis, which has been already mentioned. The enterprises should understand, that only a flexibility and acceptance of changes help them to become more competitive and successful in the market.

Figure 10: Percentage distribution of SMEs within the selected terms



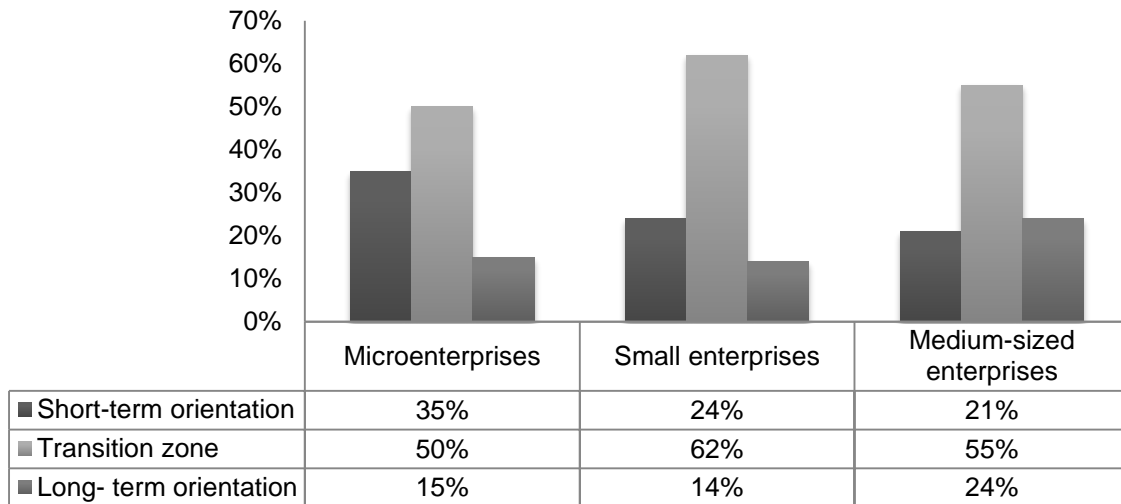
Source: elaborated by the authors

Micro- and small enterprises prefer Need for certainty (Fig. 10); however medium-sized enterprises prefer Acceptance of changes.

Long-term orientation vs. Short-term orientation - LOT

Long-term orientation is the desirable cultural dimension of corporate culture for the knowledge economy, fulfilling the principles of sustainability (replacement of immediate profit by optimal profit) and related with objectives and long-term perspective of business, which is based primarily on invest to the human capital development and its potential (Krninská, 2014).

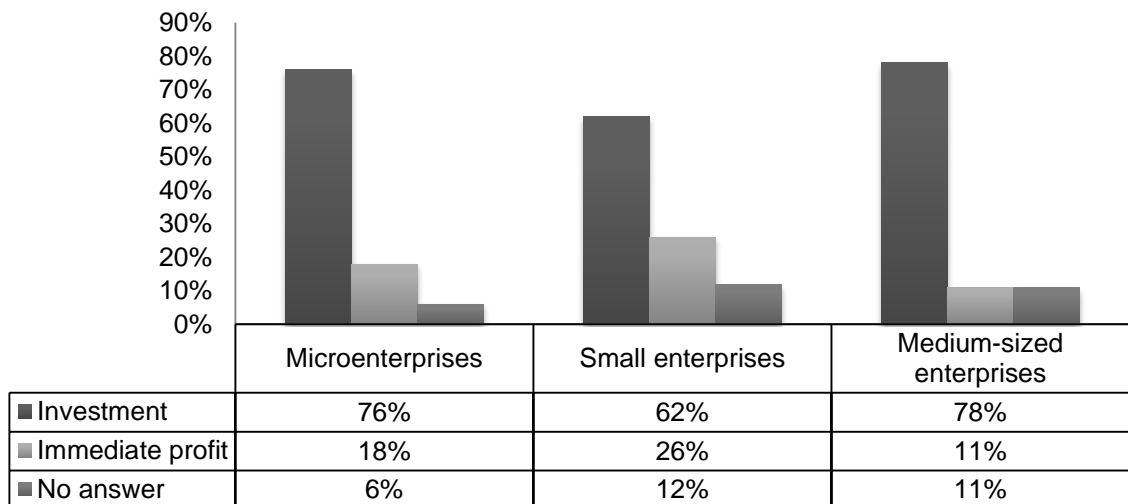
Figure 11: LOT according to size of enterprises



Source: elaborated by the authors

More than half of surveyed companies are located in the transition zone.

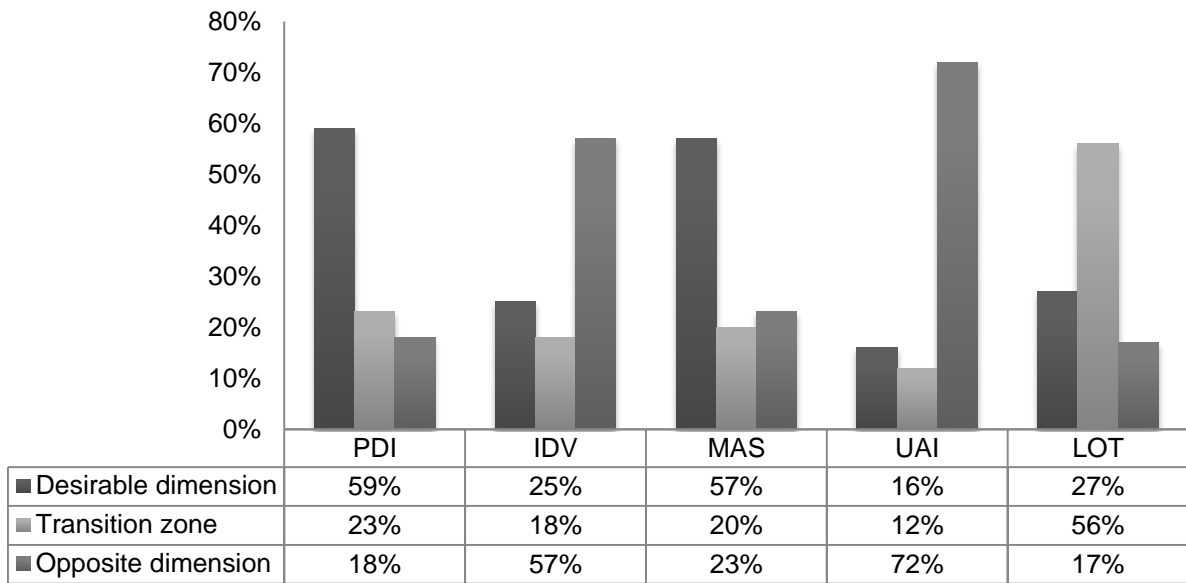
Figure 12: Percentage distribution of SMEs within the selected terms



Source: elaborated by the authors

Companies prefer Investment to Immediate profit. It could give raise the transition to the desirable dimension.

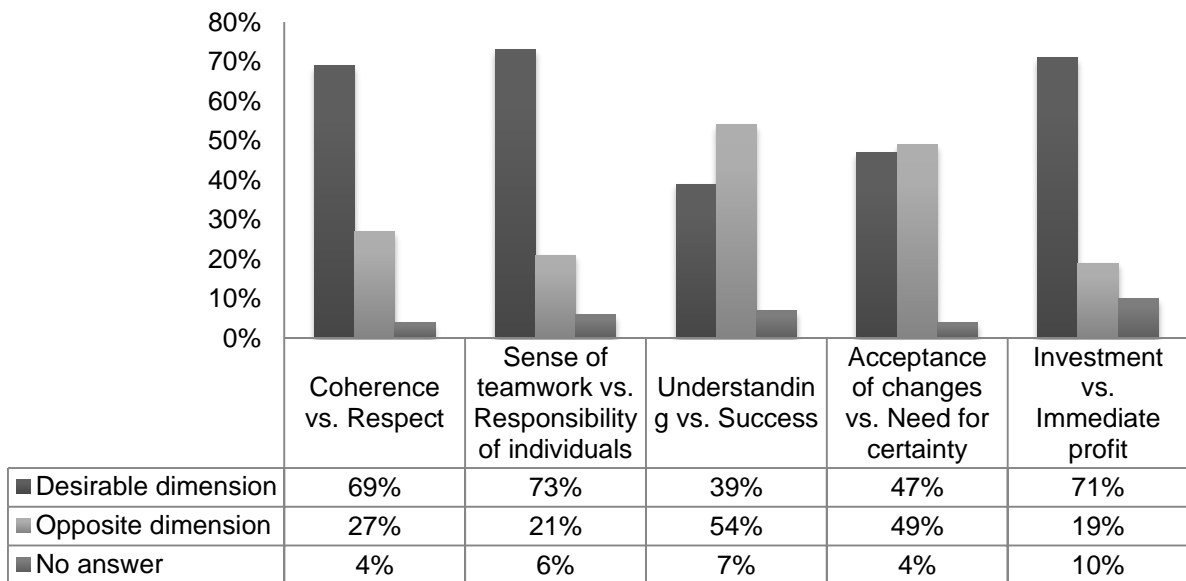
Figure 13: Percentage distribution of SMEs in particular cultural dimensions and their interval



Source: elaborated by the authors

Figure 13 shows, that small power distance (59%), femininity (57%) are shared dimensions within the research sample. Long-term orientation is in the transition zone and 81% of companies incline to need for certainty.

Figure 14: Percentage distribution of SMEs within the selected terms



Source: elaborated by the authors

The results also show that the majority of surveyed SMEs prefer **the coherence** to respect, **the sense of teamwork** to responsibility of individuals, **the investment** to the immediate profit. These preferred terms may be considered as the desirable cultural dimensions of shift to the knowledge economy. Regarding the other two cases, most businesses prefer the terms included in the opposite cultural dimensions, specifically they prefer success to the understanding and certainty to the acceptance of changes.

CONCLUSION

The paper examined 105 companies of South Bohemian Region. The research method was a quantitative research (via 2 questionnaires – „Human Resource Management“ and VSM 94 - G. Hofstede).

For knowledge economy the desirable cultural dimensions are small power distance, collectivism, femininity, acceptance of changes and long-term orientation.

Building the corporate culture is important for surveyed enterprises (89%).

Even when divided according to their size, enterprises tend to the same dimension characteristics as the entire sample.

All enterprises have the same preferences of words within the size distribution (apart from medium-sized companies, which prefer acceptance of changes to need for certainty) and the same preferences even apply for the entire research sample.

The surveyed enterprises incline to the small power distance (59%), this fact is also supported by preference of coherence. Then they incline to femininity (57%). More than half of the companies find themselves in the transition zone when concerning the long-term orientation (56%). Companies tend to individualism (57%), although the employees prefer the teamwork. Enterprises tend to the need for certainty (72%).

It can be concluded that the surveyed enterprises have accomplished two desirable cultural dimensions, the other one is in the phase of transformation towards desirable dimension and 2 others are far from the desirable state. **Micro-, small and medium enterprises of the South Bohemian Region are in the process of transformation to the knowledge economy.**

Recommendations for further research: qualitative research, using new Hofstede's dimensions.

ACKNOWLEDGEMENT

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