

## Chapter 7

# Communities of Practice in Transition Economies: Innovation in Small- and Medium-Sized Enterprises

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### ABSTRACT

*Communities of Practice (CoPs) are informal groups of individuals sharing knowledge and experience within or outside an organization. CoPs can help organizations, especially Small- and Medium-sized Enterprises (SMEs) with limited financial and human resources improve efficiency and productivity by leveraging knowledge resources in the organization. Transition economies have different social and economic conditions as compared to developing and developed countries. The success of CoPs in SMEs located in transition economies depends to a certain extent on the social and cultural factors in transition economies. This chapter explores the factors contributing to the success of CoPs as well as challenges that CoPs face in transition economies. This chapter explores the role of national and organizational culture on the functioning of CoPs in SMEs in transition economies. The objective of this chapter is to develop a framework that could be applied to CoPs in transition economies. This chapter also identifies the factors that might limit the work of CoPs in the context of innovation in SMEs in transition economies.*

### INTRODUCTION

The criteria for efficient functioning of CoPs in organizations have been examined in literature in several developing and developed countries (Amin & Roberts, 2008; Iaquinto, Ison, & Faggian, 2011; Retna & Tee Ng, 2011). However, there is a literature gap on the factors influencing the working of CoPs in transition economies. Transition economies are countries that are in transition stage between developing and developed status, most of which are countries in Central and Eastern Europe apart from former Soviet Union, and China (Michailova & Sidorova, 2010). Transition economies have typically different economic, socio-cultural, and political conditions as many of these countries are adapting to the require-

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ments of functioning as a free economy after decades of communism (Vajjhala & Strang, 2014). This chapter explores the factors contributing to the success of CoPs as well as challenges that CoPs face in transition economies.

Transition economies are either in the process of transition from a communist style central planning system to a free market system, such as Albania and some of the republics of the ex-Soviet Union or have already accomplished the process of transition, such as Slovenia and Latvia (Kovacheva, 2013; Roztocki & Weistroffer, 2008). While the economic conditions of transition economies are often compared with the economic conditions of several emerging and developing countries, the socio-cultural and political conditions are significantly different (Roztocki & Weistroffer, 2008). Especially, in the case of transition economies that are still in the process of transition, the conditions at inter- and intra-organizational levels are considerably different from those of emerging and developing countries.

CoPs emerge and develop based on the inter-member communication and motivation shown by members of the community. However, organizational support and sponsorship is required to motivate the members in the CoPs to contribute to the success of the CoPs. The key problems and challenges facing organizational leaders in SMEs in transition economies are centered on addressing the cultural issues i.e., the organizational and national cultural issues while promoting the growth of CoPs in the organization.

## **BACKGROUND**

The term Communities of Practice (CoPs) was first coined by Lave and Wenger (1991) to describe a group of people sharing a concern or passion to do something by regular interaction with their peers. CoPs are informal groups of individuals getting together voluntarily with the aim of sharing experiences and solving job-related problems (Borzillo, Schmitt, & Antino, 2012). CoPs in business are regarded as one of the best ways of managing knowledge bases in organizations and optimizing organizational performance (Rivera, 2011; Roztocki & Weistroffer, 2008). The criteria for efficient functioning of CoPs in organizations have been examined in literature in several developing and developed countries (Amin & Roberts, 2008; Iaquinto, Ison, & Faggian, 2011; Retna & Tee Ng, 2011). However, there is a literature gap on the factors influencing the working of CoPs in transition economies, especially in the context of SMEs. SMEs form a significant portion of economy and contribute significantly to the employment and Gross Domestic Product (GDP) in transition economies (Vajjhala & Baghurst, 2014).

## **COMMUNITIES OF PRACTICE (CoPs)**

Communities of Practice (CoPs) are informal groups of individuals getting together voluntarily with the aim of sharing experiences and solving job-related problems (Borzillo et al., 2012). CoPs are defined as a system of relationships between people and activities developed with time and in relation to other tangential and overlapping communities of practice (Lave & Wenger, 1991). CoPs in business are regarded as one of the best ways of managing knowledge bases in organizations and optimizing organizational performance (Rivera, 2011; Roztocki & Weistroffer, 2008). CoPs can help create, share and utilize knowledge in an organization and in this process having a positive influence on its short-term and long-term operational strategy (Retna & Tee Ng, 2011).

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