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2026-07-27

Deposited version:
Accepted Version

Peer-review status of attached file:
Peer-reviewed

Citation for published item:
Matos, F. & Salhi, A. (2025). Multicultural workplaces and intellectual capital: a case study in SMEs. In Aino Kianto and LLona Toth (Ed.), Proceedings of the European Conference on Knowledge Management, ECKM. (pp. 871 -876). Lahti: Academic Conferences and Publishing International.

Further information on publisher's website:
10.34190/eckm.26.2.4087

Publisher's copyright statement:
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Multicultural Workplaces and Intellectual Capital: A Case Study in SMEs

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Abstract

In today's globalised business environment, understanding the impact of multiculturalism on intellectual capital management is crucial, particularly for Small and Medium-sized Enterprises (SMEs). This study examines how a diverse workforce influences the effective management of intellectual capital in SMEs, addressing the key challenges these organisations face. The research explores both the benefits and difficulties of such diversity by analysing the effects of a multicultural setting on intellectual capital management and SME performance. Additionally, it examines the dynamics of cultural differences within small and medium-sized enterprises (SMEs) in Tunisia and Portugal. A case study methodology approach is used to thoroughly explore how intellectual capital is managed in a multicultural workplace, providing rich insights into decision-makers' perspectives and practices through a qualitative lens.
The findings emphasise the importance of recognising and utilising diverse perspectives and experiences in a multicultural workplace. The study concludes that multicultural workplaces can positively influence intellectual capital when supported by inclusive practices. It highlights that strong cultural intelligence and inclusive leadership are key enablers of knowledge sharing, innovation, and improved organizational performance.This research provides actionable recommendations for small and medium-sized enterprises (SMEs) to enhance intellectual capital management in diverse environments. Moreover, it explores whether a multicultural workforce boosts innovation and organisational performance. By filling a notable gap in empirical research, this study offers valuable insights for academic researchers and practitioners seeking to navigate the complexities of managing intellectual capital in SMEs.

Keywords: Multicultural workplace; Intellectual Capital Management; Small and Medium-sized Enterprises (SMEs); Innovation Performance; Organizational Performance

1. Introduction

The multicultural workplace is rapidly becoming a norm due to globalisation and cross-border labour mobility (European Commission, 2015). As businesses expand internationally, especially small and medium-sized enterprises (SMEs), they increasingly rely on diverse teams that bring together individuals from different cultural backgrounds. This diversity introduces not only creativity and innovation (Herring, 2009; Hofstede, 1984) but also challenges in communication, knowledge-sharing, and the integration of diverse perspectives (Gudykunst & Kim, 2003; Anantatmula, 2010).

In this evolving context, managing intellectual capital (IC), defined as the collective knowledge, skills, relationships, and processes within an organisation (Bontis et al., 2000; Edvinsson et al., 2019), has emerged as a strategic priority. IC comprises three pillars: human capital, structural capital, and relational capital, all of which are influenced by cultural dynamics.

Although the literature has emphasised the importance of IC in driving SME innovation and performance (Tidd & Bessant, 2009; OECD, 2005), there is limited empirical research that links

multiculturalism directly to IC management, particularly in non-Western contexts. This paper addresses that gap by exploring how cultural diversity in SMEs affects the management of intellectual capital through an analysis of SMEs in Tunisia and Portugal.

Using Hofstede's cultural dimensions as a comparative lens (Hofstede, 1984), this study examines the intersection between national culture and IC practices in multicultural SME settings. The goal is to highlight how diverse environments can either support or hinder innovation, learning, and organisational performance depending on how cultural knowledge is managed and leveraged (Lauring & Selmer, 2012; Earley & Ang, 2003)

This paper aims to investigate how multiculturalism in the workplace affects the management of intellectual capital in small and medium-sized enterprises (SMEs). It focuses specifically on SMEs in Portugal and Tunisia to provide comparative insights.

To guide this investigation, the following research questions are proposed:

1. How does multiculturalism influence the management of intellectual capital (IC) in SMEs?

2. What challenges do multicultural SMEs face in knowledge sharing and communication ?

3. How does cultural intelligence (CQ) help manage diversity and enhance IC in multicultural teams ?

4. What are the effects of multiculturalism on innovation and organizational performance in SMEs?

2. Theoretical Considerations

Intellectual Capital (IC) has become a central concept in organisational research, especially in the context of knowledge-driven economies. Defined as the collective intangible resources of an organisation, IC is generally divided into three interrelated components: human capital, structural capital, and relational capital (Bontis, 1998; Edvinsson et al., 2019). Human capital refers to the skills, expertise, and competencies of employees; structural capital includes organisational routines, databases, and intellectual property (Sveiby, 1997); and relational capital relates to external relationships with customers, suppliers, and partners (Nahapiet & Ghoshal, 2009).

While large corporations often have established systems for managing intellectual capital (IC), small and medium-sized enterprises (SMEs) frequently face resource constraints that limit their ability to develop and leverage these assets effectively (Durst & Edvardsson, 2012; Anand et al., 2020). Nonetheless, literature shows that IC plays a critical role in supporting SME innovation and performance when managed strategically (Muda et al., 2020; Stewart, 1991).

In parallel, the growing multiculturalism of today's workforce has introduced both opportunities and challenges to IC management. Diverse cultural backgrounds within teams can enrich the organisation with varied perspectives, problem-solving approaches, and creative ideas (Ozgen et al., 2011; Adler & Gundersen, 2008). However, without inclusive systems in place, this diversity may also lead to misunderstandings, reduced cohesion, and communication barriers (European Commission, 2020; Okoro, 2012). Communication challenges, especially in multicultural teams, are well documented and can include language barriers, differing norms of interaction, and contrasting expectations (Gudykunst & Kim, 2003; Sue & Sue, 2016; Muir, 2007). These barriers can ultimately sharing and collaboration, core mechanisms for leveraging intellectual capital.

To better understand these dynamics, Hofstede's (1984) cultural dimensions framework provides a useful comparative lens. By examining differences in power distance, individualism versus collectivism, uncertainty avoidance, and other cultural traits, researchers and managers can identify how

national cultures shape workplace behaviour and IC practices (Taras et al., 2010). Additionally, the concept of Cultural Intelligence (CQ), defined as one's ability to function effectively in culturally diverse situations, has been proposed as a crucial capability for leaders and employees in multicultural organisations (Earley & Ang, 2003; Ang & Van Dyne, 2015).

From a strategic management perspective, diversity management theory emphasises the value of recognising, respecting, and leveraging individual differences to enhance organisational effectiveness (Lauring & Selmer, 2012; Madhani, 2010). This aligns with the resource-based and knowledge-based views of the firm, which posit that intangible assets, such as intellectual capital (IC) and cultural diversity, can drive competitive advantage when effectively integrated into organisational processes.

Finally, innovation performance theory highlights the importance of IC and multicultural collaboration in fostering innovation. Research has shown that culturally diverse teams can outperform homogeneous ones in generating novel ideas, provided that appropriate knowledge management practices are in place (Tidd & Bessant, 2009; OECD, 2005; Herring, 2009). Effective knowledge management, therefore, becomes essential for SMEs seeking to transform diversity into innovation through structured knowledge-sharing and inclusive leadership (Davenport & Prusak, 1998; Jordão & Novas, 2022; Anantatmula, 2010).

3. Methodology and Data Sources

To explore the influence of a multicultural workplace on intellectual capital (IC) management in SMEs, a qualitative research design was adopted, specifically using a multiple case study approach as recommended by Yin (2014). The study focused on SMEs operating in Portugal and Tunisia, leveraging their distinct but comparable multicultural dynamics. Eight participants were selected through purposive sampling to ensure a diverse range of national and professional backgrounds relevant to the research topic. The sample included individuals from Portugal, Tunisia, Ukraine, Morocco, and France, with roles in senior and middle management as well as operations. Data collection involved remote semi-structured interviews conducted between July and August 2023, using a carefully tested interview guide that ensured relevance and clarity. The interviews explored themes such as knowledge sharing, cultural challenges, and IC practices. Ethical considerations were rigorously followed, including informed consent and data confidentiality. Thematic analysis was applied to the interview transcripts to identify common patterns and draw insights into how cultural diversity affects the management of IC. This methodology allowed for a nuanced understanding of the real-life dynamics within SMEs in multicultural environments and supported the study's aim to contribute both theoretically and practically to knowledge management and organisational behaviour research.

4. Data Analysis

This section presents the main findings of the study based on semi-structured interviews with professionals working in multicultural SMEs in Portugal and Tunisia. Through thematic analysis, several recurring patterns emerged around perceptions of multiculturalism, communication challenges, cultural intelligence, and the impact of diversity on the management of intellectual capital. The analysis offers both cross-country insights and shared experiences that reveal how cultural diversity can influence organisational practices and outcomes.

4.1 Sample Characterisation

The study examined a total of eight participants working in SMEs, split evenly between Tunisia and Portugal. Participants represented diverse nationalities—Portuguese, Tunisian, Ukrainian, Moroccan, and French—and occupied roles in senior and middle management as well as operations. The average participant age was approximately 28.5 years, with experience in current roles ranging from 1 to 5 years. The work arrangements also varied: five participants worked in a hybrid setting, two on-site and one remotely. This diversity ensured a rich, multifaceted perspective on how multicultural dynamics affect the management of intellectual capital.

4.2 Perceptions of Multiculturalism

Interviewees unanimously acknowledged the multicultural nature of their countries and work environments. In Portugal, the presence of immigrants from Eastern Europe, Africa, Asia, and South America was widely cited, while in Tunisia, the interplay between Arab-Berber heritage and other cultural influences like Jewish and European traditions was emphasised. The varying degrees of workplace diversity reflect broader societal multicultural dynamics and confirm that both countries are ideal for studying multicultural effects on IC management.

4.3 Communication and Collaboration Challenges

One of the core challenges identified was communication. Language barriers were mentioned but not deemed significant, as most workplaces had adopted a common working language. However, deeper communication issues stem from cultural differences in communication styles—such as directness versus indirectness and differing feedback norms—which can impact the sharing and development of intellectual capital (W. B. Gudykunst & Ting-Toomey, 1988; Hall, 1976; Hofstede, 1984). Despite these hurdles, respondents expressed an overall positive outlook, highlighting their companies' inclusive practices and open communication strategies, including regular meetings, team-building activities, and informal knowledge exchanges.

4.4 Cultural Intelligence and Learning

Participants across both regions emphasised the importance of cultural intelligence (CQ) in managing a diverse workforce. Effective leadership in multicultural environments was attributed to cultural awareness, openness to learning, and intentional exposure to different working styles (Earley & Ang, 2003). Strategies to foster CQ included educational programs, mentorship, cross-functional team projects, and multilingual collaboration. These approaches not only improved day-to-day communication but also enhanced overall team cohesion and innovation capacity.

4.5 Cross-Cultural Dynamics and Inclusion

Thematic analysis revealed strong efforts by organisations to create inclusive environments, with a specific focus on knowledge sharing and mutual respect. Respondents noted that cross-cultural understanding enriched decision-making and enabled more innovative solutions. While Tunisia showed a tendency toward more structured, hierarchical practices, Portugal displayed more openness to decentralised approaches. These differences affected how intellectual capital was managed, particularly concerning decision-making and innovation strategies.

4.6 Organisational Performance and Intellectual Capital

Overall, the participants agreed that a multicultural workplace positively contributes to the development and utilisation of intellectual capital. The integration of diverse viewpoints fosters greater creativity, stronger problem-solving skills, and a broader skill base (Herring, 2009; Cox et al., 2019). Respondents reported enhanced adaptability and innovation, which led to improved organisational performance. This aligns with studies emphasising the role of cultural diversity in fostering a more dynamic and high-performing work environment (Martins & Terblanche, 2003; Alvesson & Sveningsson, 2015)

4.7 Summary of Key Themes

To enhance the clarity and accessibility of the findings, the table below summarises the key themes that emerged from the interview analysis, along with brief descriptions and participant quotes that illustrate these insights.

Table 1: Summary of Key Themes from Interview Data

Theme	Description	Illustrative Quotes
Knowledge Sharing	Participants emphasised the importance of trust and communication in multicultural teams.	"Trust is the foundation—without it, knowledge is hoarded."
Cultural Challenges	Differences in communication styles and cultural misunderstandings created friction.	"Sometimes what's polite in one culture is rude in another."
Inclusive Leadership	Effective management of IC waslinked to leaders who promote inclusion and open dialogue.	"Our manager values every voice, no matter the background."
Innovation through Diversity	Cultural diversity was viewed as a source of creativity and innovation.	"We come up with better ideas because we all think differently."
Human Capital Development	Diverse teams encouraged mutual learning and professional growth.	"I learned so much from my colleagues from different countries."
Structural Capital Practices	Documentation and internal systems supported knowledge retention and sharing.	"We use shared platforms to make sure everyone stays informed."

5. Conclusion and Limitations

This paper examined how multiculturalism affects the management of intellectual capital (IC) in SMEs, using qualitative interviews conducted in Portugal and Tunisia. The study explored how multicultural teams influence knowledge sharing, communication, innovation, and organizational performance within SMEs.

The findings show that multiculturalism positively contributes to the development of human, structural, and relational capital when managed effectively. Participants noted that diverse cultural perspectives can lead to stronger collaboration, more creativity, and improved adaptability in dynamic environments. However, communication challenges and differences in feedback and working styles were highlighted, especially in settings lacking inclusive practices.

Cultural intelligence emerged as a key factor in managing diversity. Organizations that actively promote cultural learning, inclusive leadership, and mentorship practices are better equipped to harness the benefits of multiculturalism.

Regarding innovation and performance, the results indicate that multicultural workplaces foster broader ideation, faster learning, and increased problem-solving capabilities, particularly when supported by intentional diversity strategies.

Overall, this study confirms that multiculturalism, when strategically embraced, can be a powerful asset for SMEs seeking to strengthen their intellectual capital and improve long-term performance.

Despite its contributions, the study has several limitations. First, the small sample size limits the generalizability of findings across broader SME contexts. Second, the study focuses on only two countries, which, although culturally distinct, may not capture the full spectrum of multicultural workplace dynamics. Lastly, due to the qualitative design, the study is exploratory in nature and would benefit from future research using quantitative methods to validate and expand on the findings.

Data Availability Statement

The interview script can be made available by the paper's authors upon request.

Ethics Declaration

This study did not require ethical clearance, as it ensured the anonymity of all participants and obtained their informed consent prior to conducting the interviews.

Declaration of AI Tools

In this article, the authors utilised an AI tool to assist with language refinement and grammar checks. The authors reviewed and verified all AI-generated content to ensure its accuracy and integrity and take full responsibility for the final manuscript.

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