

SMEs AND STRATEGIC MANAGEMENT BASED ON KNOWLEDGE

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Abstract

The transition to the knowledge based economy involves the adjustment of SMEs to the new changes, an aspect emphasized both by the need for knowledge as the primary element in their current activities, but also by the emergence of new types of SMEs. Accordingly, the top management of SMEs will have to adapt their strategies and strategic management to the new organizational context.

Key words: SME, strategy based on knowledge, strategic management based on knowledge

JEL Classification: M10, O30

Introduction

Together with the transition to the knowledge based economy within SMEs, information and knowledge resources, and consequently, human resources have become vital for achieving competitive advantage, essential for their creation, maintenance and development. As a result, top management of SMEs began to perceive the need to understand the concept of strategy based on knowledge and usefulness of implementing a strategic management adequate to the context in which they operate. Thus, managers have begun to develop and implement strategies that have as a central element - the knowledge, which, in this context, will become strategic knowledge for SMEs.

Strategies based on knowledge and strategic management based on knowledge

Starting with this distinctive element, knowledge-based strategies that are chosen by SMEs, differentiates from classical strategies through the following¹:

- the knowledge resource is incorporated in all of the components strategy - mission, objectives, efforts, strategic options, deadlines, responsible parties and competitive advantage;

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¹ Ovidiu Nicolescu, Luminița Nicolescu, 2005

- strategic objectives aim to apply and exploit the knowledge;
- in the process of substantiation of strategy, the human resource occupies an essential place because it holds, applies and capitalizes the knowledge that exists within a SME;
- information resources will be much better transmitted through a development of the communicational techniques, but, simultaneously they will be more accurate and more rapidly achieved due to the evolution of the means of information processing;
- in the strategy substantiation and development processes it will increase the consideration of the key stakeholders and it will develop the consolidated vision based on the chain value relying on knowledge, in the context of the influence of internal and external factors on SME;
- the flexibility of the strategy will be improved by using the sliding approach;
- improvement of the innovational capability of the strategy by expressing the creativity in all its components;
- the usage on a large scale of the participative elements in the establishment, formulation and operationalization processes of the strategy, which needs the cooperation of the employees based on knowledge and the cooperation of internal and external stakeholders that influences the strategy ;
- impressing a motivational background in the formulation and operationalization processes of the strategy;
- decreased perception of the degree of strategy formalization due to the intangible character of the knowledge;
- among the results achieved through the implementation of the strategy can be found the customer satisfaction through knowledge-products or knowledge related-services etc.

Since obtaining competitive advantage in an SME is conditioned by its strategic knowledge, it should be noted that this resource must be identified in the development and substantiation processes of the strategy. This identification can be made by recognizing and understanding the features² that differentiate strategic knowledge from the rest of the SME knowledge: they are rare or even unique; the effect of using them is creating added value in the SME; they are very difficult to duplicate and substitute; they are easily harnessed in

² a.) Ovidiu Nicolescu, Luminița Nicolescu, 2005

b.) Scott Bryant, Ken Colwell, 2002

c.) Paul James, 2004

order to achieve the objectives of the SME; they adapt to internal and external environment of the SME; and they are consolidated by means of learning processes, an aspect that supports the other features.

Returning to the knowledge based strategy, specialists in the field, defined the concept as follows:

- A. Moslehi³ - application "guide" of knowledge resources and of the organizations capabilities (SMEs);
- M. Zack⁴ - believes that they are formulated with the purpose of diminishing the "disagreement" ("gap") between what an organization knows and should know (an SME) in order to be competitive (a) on the market;
- P. James, S. Callahan și M. Zack⁵ - an assembly of actions which guarantees the consistence between the intellectual assets and the fulfillment of the goals established at the organizational level(SME); these actions are aimed towards: establishing the necessary knowledge, obtaining and creating new knowledge, transformation of the existing knowledge, maintaining the knowledge, dissemination of knowledge and establishing the unnecessary knowledge.

After analyzing these definitions, I believe that the strategy based on knowledge "represents that strategy that harnesses the intellectual capital (including knowledge resource) in its three forms - human, organizational, relational - with the aim of generating added value, in order to help achieving the desired competitive advantage in terms of meeting the organization's mission (SME).The results of intellectual capitalization would result in setting targets for the SME on medium and long term, in ways of achieving them and establishing the necessary resources "⁶.

Moreover, experts in the field said that "knowledge based strategies differ depending on the knowledge management aspects on which they focus: some focus on knowledge (content), others on processes and others on the results"⁷.

All kinds of classic strategies can be implemented within the knowledge-based SMEs, taking into account significant changes in their contents, both in light of the peculiarities of management functions, and the fact that in this case, knowledge, are the raw material, production factor and finished product.

³ Adel Moslehi , 2004

⁴ Paul James, 2004

⁵ Paul James, 2004

⁶ Anca Cruceru, 2012

⁷ Consultanți TRAINMORE – KNOWMORE, 2005 - 2008

Approaches on the typology of knowledge-based strategies are relatively few, but the most representative include the following:

- Nemura și Ogiwara⁸ - after the level of which the objectives are established : strategy based on vision, strategy based on professionals and strategies for emerging situations;
- Wiig și Centrul American pentru Productivitate și Calitate – Modelul Wiig⁹ - after various natures and strengths identified in the SME: knowledge based strategy as an organization strategy; management strategy of the intellectual assets; individual knowledge management strategy; knowledge creation strategy; knowledge transfer strategy; knowledge based strategy focused on customers;
- Hansen, Nohria și Tierney¹⁰ - after the nature of knowledge involved in the foundation and development strategies: the coding strategy; personalization strategy.

Unlike traditional strategies, knowledge-based strategies are used only within SMEs (organizations) based on knowledge, which involves strategies that are linked with knowledge management processes implemented by these SMEs (organizations).

Also, as conventional strategies are adopted depending on the life cycle of organizations (SMEs), knowledge-based strategies are subject to that statement, with certain clarifications¹¹:

- strategies for each stage of the life cycle of SMEs should contain one or more major processes related to knowledge;
- in the early stages of SME (start - up phase), strategies should be oriented to production processes and knowledge production;
- in the development phase (growth phase), strategies should focus on the process of dissemination, use and maintenance of knowledge;
- in the mature stage (maturity phase), strategies should focus on the process of knowledge exploitation.

Implementation of strategies based on knowledge involves the adoption by SMEs of strategic knowledge management.

Although research on the concept of strategic management knowledge are at an early stage, it can be said that strategic management based on knowledge includes the processes of substantiation, drafting, implementation and control –

⁸ Ovidiu Nicolescu, Luminița Nicolescu, 2005

⁹ Consultanți TRAINMORE – KNOWMORE, 2005 - 2008

¹⁰ a.) Ovidiu Nicolescu, Luminița Nicolescu, 2005

b.) Adel Moslehi, 2004

¹¹ Scott Bryant, Ken Colwell, 2002

the assessment of knowledge-based strategies that requires certain adjustments indispensable in order to adapt them to the phenomena and processes taking place in the knowledge-based SMEs.

Before proceeding to the presentation of each process of the strategic management knowledge, it must be noted that in 2001, S.A. Carlsson¹² recommended a reference framework to support this type of strategic management, the cornerstone of the organization's resource-based theory and the theory of knowledge-based organization. In this frame of reference it is considered that acquiring and maintaining competitive advantage is gained using the expertise and knowledge of major processes through the six tasks¹³: formulating strategic vision encompassing the integration of knowledge management activities; identifying key-resources knowledge and expressing the vision about the prospects of the intellectual capital (including resources - knowledge); establishing the methods by which to achieve the requirements of a knowledge-based organization's vision; protection of knowledge and sources of knowledge; determining and implementing tactics that are intended to implement knowledge resources; use and evaluation of the knowledge. The tasks included in this frame of reference were important issues that were considered in the further development of strategic knowledge management processes.

Returning, strategic knowledge management processes are carried out using existing methodologies, plus certain processes and phases that are indispensable for the strategic knowledge management practice, as follows:

- developing the strategy and assessing its content using tacit and explicit knowledge of SME by exploiting its intellectual capital;
- establishing the knowledge that helps to substantiate, develop and implement strategic options ;
- recognizing the internal and external knowledge `gaps` of competing SMEs;
- specifying the means by which the SME are assimilating strategic knowledge;
- incorporating those "new" strategic knowledge in knowledge-based strategic management processes, using mainly individual and organizational learning, in order to create within the SME, added value;
- the need of partial or total managerial reengineering of SME for providing the required framework for the operational strategy by focusing on treatment processes knowledge exploitation.

¹² Lena Aggestam, Per Backlund, 2007

¹³ Lena Aggestam, Per Backlund, 2007

The process of substantiation of the knowledge based strategy will cover the research of the strategy premises, investigation and forecasting strategies at micro and macro – economical level, but also the preparation of diagnostic, marketing and environmental studies.

The process of developing a knowledge-based strategy involves designing a strategic vision to help integrate knowledge management in SME activities, SME mission statement, determination of the strategic goals, establishment of strategic alternatives, specifying necessary resources, establish terms and competitive advantage, stating the strategies and operational policies.

When formulating a strategy based on knowledge, that strategy must seek the integration of five factors¹⁴: the emphasis of both individual and organizational learning, creation and “protection” of the intellectual capital; procurement and inclusion of informations from competing organizations in its own strategy; propagation of innovation and the improvement of the organization`s performance.

Also a feature of the development process of the knowledge-based strategy is to establish and incorporate strategic knowledge in SME. For the materialization of this characteristic feature, Charles Seeley, recommends the following steps¹⁵:

- to define those elements that have strategic importance for SMEs;
- to determine those who have these items and their location;
- specifying those primordial related knowledge that allow the support of SME competitiveness, with the aim of possible outsourcing;
- identifying knowledge that are obsolete or peripheral the level of their importance for SMEs, other organizations and stakeholders, research of the means of exploitation through various sales actions, joint – venture, etc.

The process of implementation of the strategy based on knowledge involves adjusting of the organizational culture to the changes ingrained by the strategy, budget preparation needed to operationalize the strategy, reengineering of SME management system and the actual implementation of the strategic changes planned.

For the development and implementation of strategies based on knowledge, Sue Brelade, proposes that certain key decisions and actions within these processes are to be based on the following ethical principles: "the principle of

¹⁴ Ovidiu Nicolescu, Luminița Nicolescu, 2005

¹⁵ Ovidiu Nicolescu, Luminița Nicolescu, 2005

reciprocity, the principle of using and the principle of recognition or of rewarding the parties involved"¹⁶.

The process of evaluation and control of the strategy involves the following: assessment and estimation of results from operational strategy, confronting them with the results that should have been achieved, and where appropriate, corrective measures.

In a knowledge-based SME, strategic management processes based on knowledge are exploiting its intellectual capital in order to create added value that would allow increased performance and hence its development.

Conclusion

In conclusion, the research on the concepts of strategy and strategic management based on knowledge is a comprehensive development process, because of the needs of SMEs to survive and grow in the new organizational context, which is also changing.

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¹⁶ Ovidiu Nicolescu, Luminița Nicolescu, 2005

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