

"Case Study"

**The Application of Knowledge Management Competencies of an Entrepreneur in Small and Medium Enterprises in India
-Post Liberalisation era.**

Introduction:

**“Where the vision is one year, cultivate flowers,
Where the vision is ten years, cultivate trees,
Where the vision eternity, cultivate people.”**

(Oriental saying)

Mahatma Gandhi once commented, “We must become the change we want to see.” The problem with today’s business environment is that change occurs so fast that companies barely have a chance to realise that change is occurring until it is too late. Applying knowledge, as opposed to letting it sit idle, less you proactively anticipate change and strategically react to it. UPS never anticipated that sales of fax machine would drop when it began offering fax machine transmission services in the late 1980s. Fax machine manufacturers did not anticipate that companies like eFax would replace their product and take over their target market with some service previously outthought of. Change can take any form: changing consumer preferences, new products, emerging markets, or political changes in countries that are 12 time zones away. Knowledge management provides an opportunity to anticipate such change, realize that it’s coming and lead it.

As national barriers disappear, managing knowledge is becoming the key to accessing timely information about international competitive environment, regional growth rates, and economic and cultural issues- information necessary to build a solid global business portfolio.

Telecommunication and penetration of Internet are catalysts that are speeding up this process unlike anything witnessed before. Twenty years ago, who would have expected that India would be software powerhouse or that Malaysia would be chock full of the semiconductor and hard disk drive factories.

Business that once was organized along geographic lines is now reorienting themselves according to the markets, products, and processes. Companies such as Lotus, Verifone and Microsoft are using this phenomenon to their advantage by shifting “ mental labour” intensive software development and coding to their programmers in India and Russia, who do a good job at one tenth the wage that a programmer would demand in Redmond, while retaining design and strategic planning at their base offices.

Knowledge management can be interpreted as the comprehensive process of identifying, analyzing and adapting outstanding practices from organizations any where in the world to help the organization improve the performance.

Knowledge management might be “hot” as of today, but successful managers have always realized its value. Long before terms such as expert systems, core competencies, best practices, learning organizations, and corporate memory in vogue, these managers knew that their company’s key asset was not its buildings, its market share, or its products, but it lay in its people, their knowledge and skills. After having tried everything else- from the greatest products and the best technology to virtual monopolies- in their respective markets, more businesses finally come to the realization that only sustainable source of competitive advantage is their knowledge.

As Drucker fittingly warns us, “those who wait until this challenge indeed becomes ‘hot’ issues are likely to fall behind, perhaps never to recover.”

Relevance – post liberalisation era

In a developing economy like India there is no dearth of opportunities. One comes across about innovative devices conceived and manufactured by engineers and technicians. One also reads interesting success stories of entrepreneurs and businessmen describing a life span from rags to riches. Presently, in India several schemes of promotion and assistance for setting up small scale units or small businesses by new or first generation entrepreneurs are being implemented by the government.

The development experience of the 1980s and 1990s had proved that the western capitalist system could survive only with the help of SMEs. Rigid production systems, and the associated discrete division of labour, based on the “Babbage Principle” of cutting down the production process into discrete units, have proved to be less important. It is now well accepted that the production system needs to be increasingly flexible, such that the advantage of a niche market can be easily tapped. It is this new theoretical perspective that one sees behind the whole idea of outsourcing and foreign direct Investment today.

The importance of the SMEs in the country’s economy is substantial, with an estimated 3.5 million units (2004-2005), fixed investments of Rs 9,500 crores, production of Rs 7, 51,020 Crores, and employment of nearly 20 millions. Exports from the sector are estimated at Rs 71,200 crores, which is about 50 percent of exports from the industrial sector as a whole.

Effectiveness of small enterprises depends upon the entrepreneurial capabilities of those involved in the business. Because of the size and unique operating characteristics, a small enterprise requires management approach which is also unique. The owner is also the manager. They participate in all aspects of managing the business and there is generally no sharing in the decision making process.

Because of their unique economic and organisational characteristics, small and medium enterprises play important economic, social and political roles in employment creation, resource utilization and income generation and in helping to promote change in a gradual manner. Their flexibility makes them best suited in environments where intervening variables play a larger part in day-to-day business management. Being set up by individuals, they provide a productive outlet for expressing the entrepreneurial spirit of human resources. Small enterprises have a better change to carry out a number of innovations like combination of new products, new materials, new methods of production, new markets and even new forms of organization.

In India, during the past five years, attempts to design programmes to promote SMEs as a part of national development plans have been implemented. India has been the first among few developing countries to have assigned significant and categorically stated role to small scale industries from the first five year plan itself.

1. SMEs have to become knowledge intensive. Knowledge is the only input that can help industry cope with radical change and ask the right question before you attempt to find the answers, for without this knowledge you might never even realise how your industry's competitive environment is changing until it's too late. It is this knowledge that brings quality into any company's product and service offerings. Further, product life cycles and service time to market can be accelerated in unprecedented ways through knowledge. Knowledge management is the only way to reach and apply this knowledge in time.
2. Unstable markets necessitate "organised abandonment." Your target markets might undergo radical shifts, leaving the SMEs in a disastrous position of being with the wrong product at wrong time, and in the wrong place. The impact of these forces is witnessed most prominently in high technology environments and financial markets, and increasingly in other markets as well. Knowledge Management lets you undertake what Drucker calls organized abandonment reshape products, get out of projects and product line that can pull your business down, and get into others that maximize growth potential.
3. Knowledge Management lets you lead change so change does not lead you. Knowledge Management is no longer needed by service based business and consultants alone. Even conventional retailers consider their competences in logistics management- a knowledge intensive activity- to their primary driver of business success. Drucker warns that no industry or company has a natural advantage or disadvantage; the only advantage it can possess is the ability to exploit universally available knowledge. He describes knowledge as "the window of opportunity." After all, the next critical piece of critical information could take any form- an evolving social trend affecting customer preferences, a new management practice, a nascent technology, or a political or economic development in a remote manufacturing location. You cannot manage needs to be led, before your competitors do.
4. "The survival of fittest firm" is an outmoded thought in the knowledge-based economy. Drucker points out that knowledge is productive only if it is applied to make a difference (rather than simply exist) and suggest that it is this productivity that is going to be the deterministic factor in the competitive position of any company, or industry. It becomes deterministic in the long-term survival. Knowledge management can make that a reality.
5. Too often when someone leaves your firm, his or her experience leaves too. Tacit knowledge is mobile. This knowledge, skills, competencies, understanding and insight then often go to work for a competitor. Knowledge management can save your company from losing critical capabilities when that happens.
6. Your competitors are no longer just on the West Coast. We are becoming increasingly global. Keeping up with developments and ensuing threats or opportunities in other countries is a tedious, time consuming, and difficult process. Knowledge management technology, when given the right source feeds, can deliver relevant and timely knowledge.

As the entire Indian industry is witnessing a paradigm shift in systems, procedures and strategies, it would warrant creation of new competitions and capability on an ongoing basis for which an environment of continuous learning would have to be created so as to enhance knowledge and skills.

"This is possible only through adoption of Knowledge management system."

Case study:

The success of a small scale enterprise depends on many factors, like the inherent viability namely the technical, organisational, financial. The way the project is planned, thereby taking decisions regarding various project parameters such as where to locate, what should be the capacity, etc. the meticulous way of implementation and finally the way a project is managed.

The entrepreneurial spirit, as described by recent studies and experiences on the subject, involves not only a desire to gain monetary benefits but also an admixture of a high need for achievement and all the motivations evident in a high achiever. Long term involvement with a goal which the entrepreneur has set for himself creates the need to persist with the undertaking even in the face of difficulties and hardships.

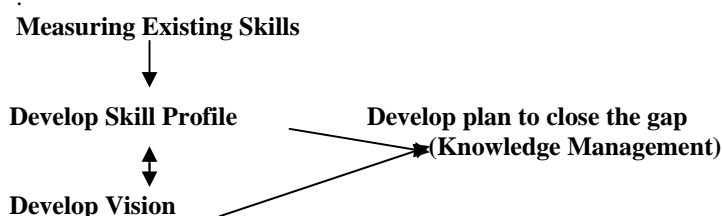
Management and entrepreneurial skills must, therefore, be blended in the small enterprise owner's total make-up as these will spell the difference between success and failure. The ideal would be to find a man who is both efficient and effective. Without the later capability a man may simply be a good manager. He still has to be developed into an effective manager by inculcating in him the entrepreneurial spirit.

In a small scale enterprise, it is the promoter of the project, i.e. the entrepreneur who does most of the functions of the project planning, implementation and management. If the size of the project is big enough to call for employing professional managers, it is the entrepreneur who acts as a driving force behind performance of these aforesaid functions or major tasks. In order to plan a project flawlessly, implement it meticulously and manage effectively, an entrepreneur needs to possess certain knowledge, skills and appropriate personality profile.

How do you define an entrepreneur? Can we recognize one when we see one? The simplest definition could be "a person, who initiates, organises, manages with self confidence and takes the risk of running an enterprise."

A study was conducted to identify the application of knowledge management to be successful SME entrepreneur. The output of the study has been identification of a set of knowledge management characteristics that lead to superior performance. A major finding of the study was that the said characteristics are cross culturally valid. In other words, in order to perform well as an entrepreneur, it is necessary to possess the competencies in varying measures irrespective of the geographical locations, where the entrepreneur is operating.

A competence¹ is an underlying characteristic of a person, which results in effective and/or superior performance in a job. A job is an underlying characteristic of a person, in that it may be motive, traits, skills, aspect of ones self-image or a body of knowledge which one uses. The existence of these characteristics may or may not be known to the person. In this sense, the characteristics may be unconscious aspect of a person. In simple terms, a competence is a combination of body of knowledge, set of skills and cluster of appropriate motives/traits that an individual possesses to perform a given task. A competency model is a set of success factors, often called competencies that include the key behaviours required for excellent performance in a particular role.



1. "The competent manager" by Richard E. Boyatzis (John Wiley & Sons Inc. UN 1982).

The first step towards acquiring a new behaviour is to understand what a particular competence means. Having understood a given competence and having been able to recognize the same when someone else exhibits a given competence, the next step is to find out where one stands with respect to a given competency. Having gone through the above steps, one would be in the position to decide the competencies that are not a part of one's personality but one would like to acquire those competencies and strengthen others. Any new behaviour that one would become a part of one's personality only when one applies the same on a continuous basis in various activities. One's desire to acquire new behaviour, internalize and practice the same would be strong only when one understands the benefit of operating as per the newly acquired behaviour versus usual/old behavioral pattern. Greater the benefit more will be one's determination to continue exhibiting the competence in a variety of situations.

Important areas of the Small and Medium Enterprises where Knowledge Management can be applied:

Sr. No	Characteristics	Knowledge Management Area
1.	Knowledge <ul style="list-style-type: none"> • Customer Service • Marketing • Credit • Forex 	<p>Knowledge means collections of information and retention of facts that an individual stores in some parts of his brain. Let us take an example of driving a car. One could be in a position to describe how to drive which would mean that one possesses knowledge of driving. But this alone will not enable the listener to actually drive unless one has something more than the knowledge component to perform the activity. It means that knowledge is necessary for performing a task but not sufficient. In real life situation, one may find various examples, where people possessing mere knowledge have miserably failed while performing the task. Besides knowledge, an individual should have skills to translate the knowledge into action.</p> <p>Knowledge of law and practice, latest development in industry, Knowledge in using computer software-navigation and trouble shooting. Basic Knowledge of computers, Knowledge of schemes, skills at handling the customer grievances, maintaining and developing relationships, staff matters, , RBI circulars, best practices code, Knowledge of competitors' products etc.</p> <p>Knowledge of competitors products, relationship management, communication skills, TQM, QC, ethics etc.</p> <p>Knowledge of market intelligence, negotiation skills, leadership, Knowledge of banks credit and other schemes</p> <p>Credit appraisal including balance sheet analysis, govt. loan scheme, RBI stipulation, Knowledge of specific industry, documentation, control returns and statements etc.</p> <p>Exim policy, Knowledge of SWIFT and its operations, ECGC rules, import –export procedure, documentation, negotiation, exchange rate mechanism, knowledge of LCs/guarantees, FCNR/NRE accounts, R Return, XOS etc.</p>
2.	Skills	Skill is the ability to demonstrate a system and sequence of

		<p>behaviour that are functionally related to attaining a performance goal. Using a skill is not a single action. The relationship must result in something “observable”. Going by the example of knowledge of driving, if one has to be in a position to drive, one needs to have the skill too. Knowledge could be acquired by reading, listening, visuals etc. while skill can be acquired only through practice. Knowledge of driving could be acquired by reading, listening, visuals etc. But to be on Road driving can be acquired by practising on a number of occasions.</p> <p>Thus knowledge as well as skills are required to perform a given task effectively.</p>
3	Motives	<p>A motive is a recurrent concern for a goal state or condition appearing in fantasy, which drives, directs, and selects behaviour of the individual. Motive includes thoughts related to a particular goal state. For example people who think about improving their own performance and competing against a standard of excellence are said to have achievement motivation. In simple terms, motive is an urge for which one has continuous concern in his mind which directs one to get into certain actions so that the concerns that one shows gets satisfied.</p> <p>The individual’s urge to do better and better leading to a desire to become the best driver could be termed as a concern for excellence- in other words achievement motivation. it is this concern which would help the individual to constantly practice driving .</p>
4	Traits	<p>A trait is a dispositional or characteristic way in which the person responds to an equivalent set of stimuli. A trait includes thoughts and psycho-motor activities related to a general category of events. For example people who believe themselves to be in control of their future are said to have the trait of efficacy. When people with this trait encounter problem or issue in any aspect of life they take initiative to resolve the problem or understand the issue. They do not wait for someone else to do it nor expect that luck will take care of it. The thought pattern and the resultant behaviour occur in response to any general set of events, which allow the trait to be expressed.</p>

Findings:

There used to be a belief that persons with business family background were termed as successful entrepreneurs. Later, the belief changed to the technical capabilities as a major requirement for successful launch of an industrial venture. In order to understand clearly what it takes to be a successful entrepreneur in the post liberalisation era in India the study found out the major competencies that contribute towards effective performance.

Initiator

The entrepreneur will have to take action that go beyond job requirements or the demand of the situation. To initiate acts, to extend the business into new areas, products or services. He does things before being forced by the events, thereby going beyond job requirements or demand of the situation.

Opportunist

The entrepreneur would look for and take action on opportunities (business, educational or personal growth). Seizing unusual opportunities to obtain financing, equipment, Land, Work space or assistance would be the prime act.

Hurdle jumper

The entrepreneur would take repeated action to overcome obstacles that come in the way of reaching goals. There would be persistence in his mind to face these obstacles.

Inquisitive

The information seeking entrepreneur would take action on own to get information to help reach objectives or clarify problems. He would do personal research on how to provide a product or service. Consulting experts for business or technical advice and personally undertaking research, analysis or investigation.

Excellent Standards

The entrepreneur will have to act to do things that meet or beat the existing standards of excellence, states the desire to produce work of high quality, thereby comparing own work or own company's work favourably to that of others.

Commitment

The entrepreneur places the highest priority on getting a job completed, makes a personal sacrifice or expends extraordinary effort to complete a job, accepts full responsibility for problems in completing a job for others, pitches in with workers or works in their place to get the job done, and expresses a concern for satisfying the customer.

Efficient

The entrepreneur finds ways to do things faster or with fewer resources or at a lower cost, uses information or business tools to improve efficiency, expresses concern about costs vs. benefits of some improvement, change, or course of action.

Planner

The entrepreneur develops and uses logical, step-by-step plans to reach goals, plans by breaking a large task down into sub-tasks, develops plans that anticipate obstacles, evaluates alternatives, takes a logical and systematic approach to activities.

Innovative

The entrepreneur identifies new and potentially unique ideas to reach goals, switches to an alternative strategy to reach the goals, and generates new ideas or innovative solutions.

Self-confident

The entrepreneur has strong belief in self and own abilities, expresses confidence in own ability to complete a task or meet a challenge, sticks with own judgment in the face of opposition or early lack of success, does something that he says is risky.

Assertiveness

The entrepreneur confronts problems and issues with others directly, tells others what they have to do, reprimand or disciplines those failing to perform as expected.

Persuader

The entrepreneur successfully persuades others, convinces someone to buy a product or service, convinces someone to provide financing, convinces some one to do something else that he would like that person to do, asserts own competence, or other personal or company qualities.

Strategic

The entrepreneur uses variety of strategies to affect others, acts to develop business contacts, uses influential people as agents to accomplish own objectives, selectively limits the information given to others.

Welfare oriented.

The entrepreneur takes action to improve the welfare of employees, takes positive action in response to employees personal concerns, expresses concern about the welfare of employees.

Conclusion:

All the competencies described above are instrumental in making a person successful entrepreneur. Through these competencies, we can discriminate between successful entrepreneurs and average ones. All these competencies are interrelated. Depending on the nature and content of these competencies they could be clubbed into various clusters. These competencies could be developed through systematic training.

Knowledge provides opportunism that can drive novel strategies. Knowledge management provides pathways for that knowledge. Knowledge management can support, but not replace, the individuals in the company who provide breakthroughs and innovations in day-to-day aspects of how you run the business. Managers must learn both from the soft insights and experiences and from hard market data, and then synthesize that learning into a vision of the direction that the business should pursue. Such strategic orientation requires knowledge of the complex environment in which your company operates and the comprehension of the complex processes that it undertakes. This requirement brings in the role of knowledge and knowledge management.

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