

Knowledge Management as a Learning Process to Upgrade Strategic Capabilities: Case study of micro-firms network in Southern Brazil

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summary

Reference to the Brazilian culture of strategy is helpful to understand the way KM is penetrating and adapted within this country. As done in the case of the Japanese way of Knowledge Creation¹⁾ and local Wisdom in Thailand²⁾ making explicit a specific culture of strategy brings insights about the way KM is proceeded and impacts Brazilian organizations³⁾. This paper presents main features of Brazilian culture of strategy and then focused on a case study from the South of the country. The interplay of the two has a mutual benefit effect on evolution on both.

Brazilian culture of strategy

For geographical, historical and ethnical reasons, the Brazilian culture of strategy⁴⁾ is mainly tactic, instead of strategic; local, instead of global; short term, instead of long term; and appears as individualistic and opportunistic. As a huge and diverse country, Brazil is rich in terms of natural resources. All along its five centuries of history, Brazilian people found available resources that are mainly exported: from wood, tire, sugar, coffee to oil, soy or fruits. . Once a specific resource is no longer exportable or rentable, Brazilian people used to move to new ones, which often meant going to other spaces in this huge country. To qualify this attitude, Brazilian intelligentsia talks about "bad-development" and "*immediatism*", which do not provide any long-term Investments, strategic planning and vision. Since its birth as a colony, then republic and til the end of Century 20th, Brazil never mastered its economic relations with abroad. After Portugal, UK dominated its commercial relationships before US took the lead. As a result, the country has no tradition of mastering strategic relations with foreign countries. Considerable efforts are currently being developed in order to transform this situation.

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Cultural strategic background of the country is lying on two opposite traditions : the one from the Portuguese masters, who - by definition - had absolute power, and the one from African slaves, who were led to hide tactical abilities known today as capoeira⁵⁾ a very original martial art under the disguise of a dance! This second tradition, one of dominated people striving to survive, now represents the main cultural background of the Brazilian culture of strategy : individualistic, fast and opportunistic, indirect, invisible, soft in appearance, but also based on a very strong self-individual confidence to find a way out from any impossible situation It is a kind of "miracle way of acting", which finds ways and issues where rationally, or mathematically, there are none! Jeitinho⁶⁾, a mix of astute and cunning on a very short term no matter collective or long term consequences is a key concept that summarizes this tactical know-how. Taking into account these characteristics, one might easily deduce that models based on sharing mutual confidence and capitalization of knowledge does contrast as an adequate background for a Brazilian way for KM. Moreover, short-term survival concerns and lack of strategic visions make things even worse. Nevertheless, it is possible to analyze case studies of networking strategies developed by micro enterprises as a creative way. One interesting outcome of them is that they act as a learning process to turn short-term, individualistic and local approaches (tactical dimension) to medium-term, community and global approach (strategic dimension). As a result, knowledge management is upgrading capabilities toward strategic dimension from excellent tactical skills.

Setting up Small and Medium-sized Enterprises networks in Southern Brazil⁷⁾

Aiming at fostering the local and regional development, the State Government of Rio Grande do Sul (Southern Brazil) launched in December 2000 a Program for Structuration of Cooperation Networks, whose objective is the promotion and strengthening of competitiveness among SMEs, through cooperative strategies. Five years after, the Program includes 120 SME networks from different economic segments (2,500 enterprises) with the support of 8 universities and 45 consultants to strengthen network structuring and functioning. All along the setting up of the networks, governmental policies implemented by Rio Grande do Sul State, aim to foster the development of SMEs involved through easy access to credit, managerial skills acquisition, incentive for participation in fairs and events. Networks' organizations are strictly based on legal instruments such as network statutes, code of ethics and internal regulation. They seek to facilitate the governance among actors for collective interests to be preserved. Any network decision is under the responsibility of the "General Assembly" in charge of making strategic choices through a wide participative process. The Assembly gathers a forum of SME managers, each one contributing with ideas, experiences and useful knowledge for networking strategies.

The case that will be analysed in the current article deals with the AGIVEST Network (Clothing Industries Association of Rio Grande do Sul), formed by 35 small enterprises in

textile and clothing segment. AGIVEST was created in September 2001 as part of the Program of Network Structuration of the State Government of Rio Grande do Sul, aiming to get more competitiveness as regards as the Sao Paulo States' ones. Enterprises which take part to AGIVEST are small (in average 6 employees) with artisanal individualistic origins. They have limited technological development, especially due to the scarcity of resources to be invested in productive technologies, specialized skills acquisition or fashion designing. Such limits and constraints have been partly and gradually overcome through the cooperative strategy used by the SMEs. Apart Governmental incentives, the main motivation that led entrepreneurs to create AGIVEST was survival necessity, since they were so aware and concerned about the reality of an highly competitive market, dominated by large enterprises.

Knowledge Management within AGIVEST Network

One of the main benefits AGIVEST provided to SMEs was an environment of collective learning, issued from the interaction among enterprises. The socialization of knowledge about production techniques, market, new goods, technologies and management has caused significant changes, above all through incremental innovations in products and processes. Several network space (ba) for effective sharing of knowledge have been identified. According to the guidelines provided by Nonaka, Toyama and Konno (2002)¹⁾ each of these spaces acts as different ba, which promote actual platforms that facilitate the knowledge creation among network enterprises. One of these ba, especially for communication of tacit knowledge, is nurtured by visits entrepreneurs pay mutually to themselves. Through these visits, they identify improvement possibilities in production processes, in technologies and concepts which generate substantial profits. The Assembly, which takes place at least once a month, became a socialization context of useful knowledge for the network strategic choices. Decisions are made within a process of debate and reasoning for satisfactory choice to be taken. Informal conversation before and after the sessions allow debates about specific topics, issues in the production processes, information about a new supplier or representative, etc .

Since SMEs are contextualized within a community environment with intense social relationships, they often originate simultaneous friendships and businesses. Social gatherings -lunches and dinners - are generalized among entrepreneurs, employees and relatives that are also part of the network. These moments strengthen trust relationships, talks about opportunities, challenges for the future of the network and its enterprises. Business trips, visits and exhibition of products in fairs allow entrepreneurs to discover other experiences about market trends and challenges. By the way, when entrepreneurs participated in an exhibition of products of the AGIVEST network at Fenit (National Textile Industry Fair) , held in Sao Paulo, they noticed that differentiated and sophisticated products had the highest demand. This market knowledge sounds so useful for strategic actions of the network. In order to enhance the managerial knowledge of network entrepreneurs, the State

Government of Rio de Sul provided 120 hour managerial training programs, in which entrepreneurs could learn and develop new concepts and techniques about corporate management. Through the network, they might observe process and production standards which should be adopted by all network enterprises in order to set up high quality level to the products of the AGIVEST brand.

Another learning space for AGIVEST is the creation process of the network strategic planning in which all entrepreneurs participate. Collective thinking, as in the case of the SWOT matrix (Strengths, Weaknesses, Opportunities and Threats) , provides a vision of long-term net-work strategies. Thus, by involving all members in the definition of objectives, strategies, goals and schedules, this process, besides representing a learning opportunity, sets up a group commitment on performances and continuous bettering. Analysing the different interaction spaces (ba) within AGIVEST network, a context of strong interaction among entrepreneurs can be observed. This interaction, which mainly occurs informally and face-to-face, offers a valuable basis for the creation of knowledge. Under this perspective, a key factor for managers to socialize their knowledge is trust, built much more on informal relationships among actors of a network context than on formal or contractual relationships.

Learning process to upgrade strategic capabilities

The analysis of the AGIVEST case represents an effective process of knowledge creation through emergence of several ba within the network context, which would hardly be found whether SMEs would have acted individually. As a result there were essential knowledge

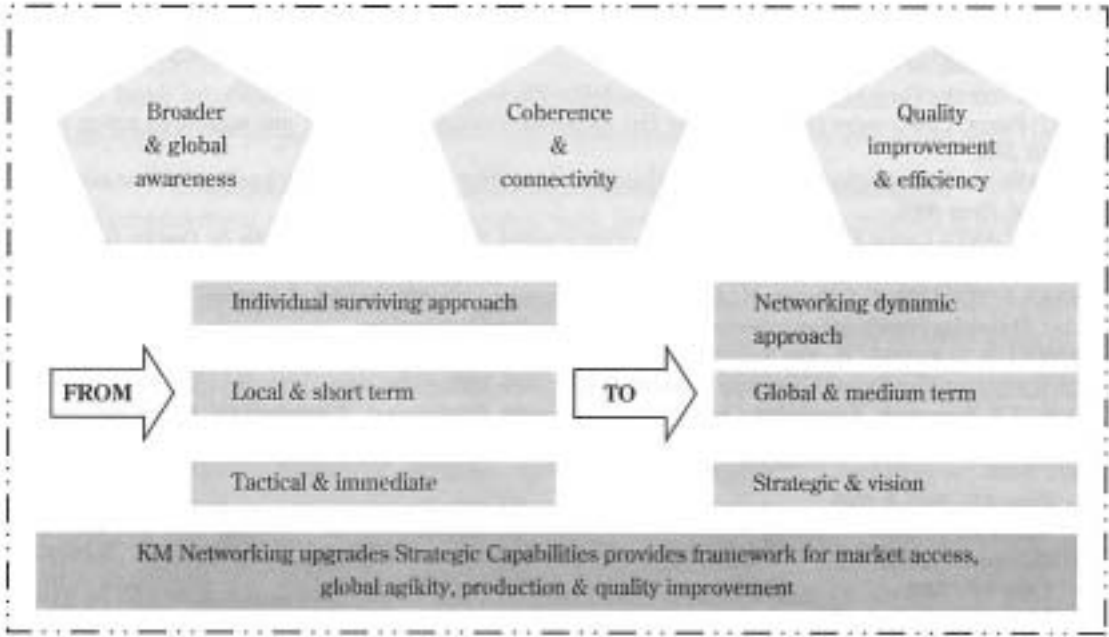


Figure 1: Knowledge management networking upgrades strategic capabilities.

assets for SME competitiveness, such as : new production concepts and know-how, new product designs, better understanding of the network operational scenarii, patent registration of brands, product specifications, knowledge about suppliers and representatives, knowledge about new technologies and raw materials. The collective learning through the network allowed SMES to develop strategic capabilities, going from a local, reactive and short-term level to a national, pro-active and long-term level (Figure 1). The collaborative action of enterprises, for instance, the joint purchase of raw material directly from the factory, allowed an average reduction of 25% in the price of goods. The access to new representatives was also facilitated by the network, especially by exchanging information among enterprises.

From tactical to strategic though network KM processes

The socialization of better practices among SMEs has brought substantial gains in production processes, which for some enterprises represented a productivity increment up to 40%. Another example that shows the possibilities of learning for network entrepreneurs were the managerial training programs, provided by the State Government, which had the objective to develop new concepts of management for entrepreneurs. Finally, the collective action of SMEs through the AGIVEST network structuring should be highlighted, since it enhanced the strategic capability of the enterprises. This evidence shows that SMEs, which usually have a competitive disadvantage against the large transnational enterprises, can have their strategic capability strengthened by network collective actions.

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1) Fayard P., 2003 & 2005

2) Tinnaluck Y., 2005

3) Balestrin A., 2005

4) Fayard P., 2004

5) Libano Soares Carlos Eugenio, 2004

6) Da Mata R. 1980

7) Precisely within the State of Rio Grande do Sul, whose capital is Porto Alegre.