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**KNOWLEDGE MANAGEMENT FOR BETTER
SOCIAL ENTREPRENEURSHIP - EMPIRICAL
PERSPECTIVES AND LESSONS LEARNED FROM
REPUBLIC OF MACEDONIA**

Abstract

The interest for social entrepreneurship has increased manifold, especially, among young generations. However, to achieve gradual improvement related with some social problem or its total elimination in a sustainable and profitable manner is far from being easy. Social entrepreneurship needs intensive knowledge sharing, often with counterparts from far countries and other cultures. Knowledge sharing in social entrepreneurship includes

learning from others about how they are using resources and how they are collaborating and improving the satisfaction of their final beneficiaries. The aim of this paper is to explore the practice of knowledge management in social enterprises active in Republic of Macedonia. Primary research consist a survey questionnaire and a series of interviews with organizations and businesses considered as social enterprises based on their mission and activities. Based on the results of the survey, we propose several recommendations that if implemented would support their knowledge management practice and improved their missions.

Keywords: knowledge social entrepreneurship, knowledge, explicit and tacit knowledge, knowledge management

INTRODUCTION

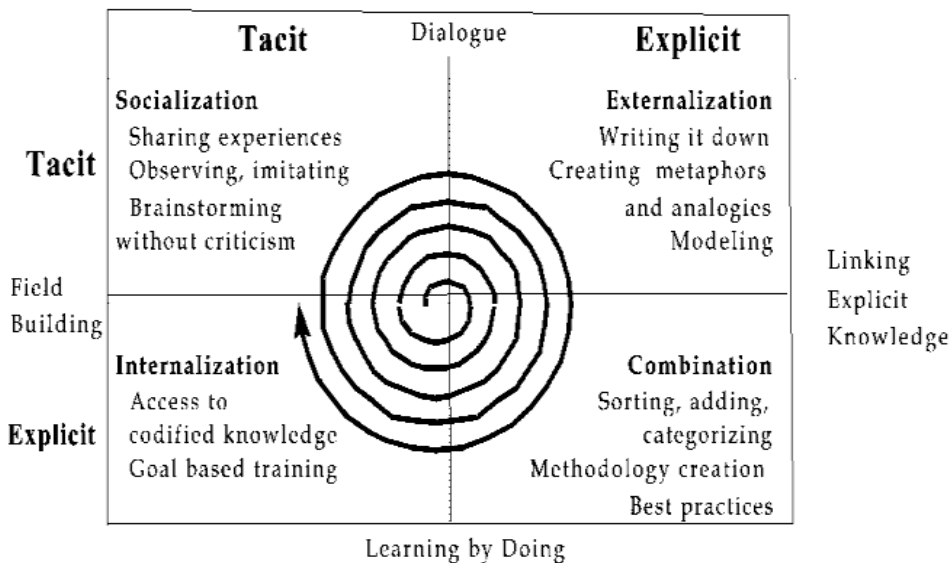
Social enterprise is a new and fast growing form of organization, which aims at achieving both commercial result and desired social impact. The importance of social entrepreneurship has increased manifold due to the interest that young generations show for pursuing various business ideas that, when realized, mean gradual improvement or elimination of some social problem in a sustainable, if not, a profitable manner. However, this is far from being an easy task. Social entrepreneurship needs intensive knowledge sharing, often with counterparts from far countries and cultures. When such knowledge sharing is missing, the social entrepreneurs often spend significant efforts and money in solving problems already solved by some other organization. Thus, the knowledge sharing turns into a major prerequisite for their success and includes learning from others about their ways of using resources, collaborating and improving the satisfaction of their beneficiaries. While the literature is reach with surveys on knowledge management in the corporate sector, research related to the practice used by the social enterprises and development agencies is rather limited. The aim of this paper is to explore the practice of knowledge management in the social enterprises and larger international donor programs operating in Republic of Macedonia. Based on the results of our survey, we propose advice to the active and the potential social entrepreneurs how to further promote their knowledge management practices.

LITERATURE REVIEW

The increased popularity of the knowledge management coincides with the development of the resource-based paradigm of the strategic management that showed on the accumulated organizational assets and the knowledge as the primary sources of the sustainable competitive advantage (Empson, 2001). It is also linked with the gradual shift of the economies of the developed world from manufacturing towards services (Drucker, 1993). However, the knowledge is not a typical asset. While we can acquire, store or transfer equipment, data and information, we cannot do similar with the knowledge. Malhotra (1994) stressed that merely possessing knowledge is not sufficient; application, he argues, is everything. He asserts that the knowledge is the ultimate competitive advantage only if understood from an action-oriented perspective. Within the organizations, knowledge is attitude that makes people want to think, interpret and act. Such knowledge stimulates curiosity and innovation in form of intrapreneurship (Beijerse, 2000). Only the knowledge that is turned into actionable value proposition can assure competitive advantage

(Diedrich and Targama, 2000). While the explicit knowledge or the tip of the iceberg of the entire body of knowledge is easily recognizable, the tacit knowledge is highly personal and hard to formalize. Subjective insights, intuition and hunches fall into this category of knowledge, deeply rooted in an expert’s actions and experience as well as in her ideals, values, or emotions she embraces (Polanyi, 1966). For Nonaka at al. (2000) the knowledge is far from being mechanical “processing” of objective information. Rather, it depends on tapping into the tacit and often subjective insights, intuitions and ideals of the people in the organization. Thus, the main task of the manager is to create circumstances that encourage people to share their ideas and develop new insights together that will lead to the creation of new knowledge (Sanchez, 2005). By sharing it, the explicit knowledge is imbedded gradually into the tacit knowledge of an organization. Through a phenomenon that Nonaka and Takeuchi call the “knowledge spiral”, the knowledge creation and knowledge sharing become part of the culture of the organization.

Figure 1: *Spiral of knowledge according to Nonaka and Takeuchi*



Source: Nonaka and Takeuchi (1995)

Blackler’s (1995) discerned: (1) expert dependent organization that relies on embodied knowledge, (2) symbolic-analyst dependent organization that relies on embrained knowledge, (3) knowledge-routinized organization that relies on embedded knowledge and (4) communication-intensive organization that relies on

encultured knowledge. More recently, Nonaka and Takeuchi (2011) noticed that the dependence only on the explicit knowledge prevents the organizations today effectively to cope with the change. Social phenomena are all context dependent, and analysing them is meaningless unless you consider people's goals, values, and interests along with the power relationships among them, stress Nonaka and Takeuchi. What is important for the internalization of knowledge, both tacit and explicit, is the absorptive capacity of the people and the organizations. Cohen and Levinthal (1994) define absorptive capacity as "ability to identify, assimilate and exploit knowledge from the environment". The purpose of the managers today is to promote the survival capability of their organizations obtaining, saving, and sharing the valuable knowledge of the individuals, groups or teams that exist inside or outside of their organizations (Lin, 2003). A study performed by Jiang and Joseph (2006) indicated that a proper knowledge valued culture is related significantly and positively to the knowledge management performance.

According to Yao et al. (2007) the mechanisms and methods that standardize the collected information, save, apply and share that information constitutes the knowledge management system of the organization. The essential drivers of promoting knowledge management are organizational culture, organizational framework, personnel, information technology, knowledge strategy, and innovation (Wu et al, 2011). Yu et al. (2004) pointed out that an appropriate organizational culture and learning attitude, intention to share knowledge and the flexibility of organizational framework would influence knowledge management performance positively. APQC (2018) developed 20 best practices for creating enterprise content and make it easily accessible when and where needed. A survey of 500 organizations in Europe proved performance differences between the organizations with and without proper knowledge management systems and that, the organizations with higher maturity level shift their focus from internal to external knowledge acquisition and sharing (KPMG, 2003).

The emergence of the social enterprise is explained by the need to respond to the social problems and developmental needs of the poor, disadvantaged, and unemployed especially in the developing countries (Prabhu, 1999). In the US, the social enterprise refers to market-oriented economic activities serving a social goal (Dees, 1998, 2001). This form of entrepreneurship often referred to as the "third sector" includes all organizations in which some patrimony has priority over the returns on the investment (Laville and Nyssens, 2001). The two most common such organizations in the US are the low-profit limited company and the benefit corporation (Stanford Social Innovation Review, 2014). Social entrepreneurs are persons who create innovative entrepreneurial organizations primary mission is social change and development of their client

group (Prabhu, 1999). The general benefit and the social positive externality are the primary objectives of these organizations. However, they often cannot capture the value they have created in an economic form to pay for the resources they use and often rely on subsidies and donations (Maryam, 2012). Consequently, the performance of a social enterprise is evaluated by its ability to create and sustain social impact (Dawans and Alter, 2009). When organizations identify a program, model, methodology, or some other action that proves effective in poverty and exclusion alleviation, the next phase is to replicate and scale such on a broader basis. From an entrepreneurial point of view, scaling social benefit ventures means “equipping social benefit entrepreneurs with tools and techniques to effectively accomplish their goals related to serving more of their target beneficiaries” (Koch at al., 2004). The need for scaling derives from the fact that local actions have physical limitations in reaching people in need. The social impact of a given initiative depends primarily on two variables: (1) how much social value an action generates for each person reached, and (2) how many people reached the initiative (Davis, 2013). Brest and Born (2013) noted that an investment or non-monetary activity to have social impact, it must provide “additionality”, some positive spill over effects for other. For example, Grameen Bank and BRAC, both in Bangladesh, developed microcredit systems aimed at village development and making the education affordable for the underprivileged (Dawans and Alter, 2009). The development of social entrepreneurship in Republic of Macedonia is gradually gaining popularity through promotion and support from public, donor and private sources. It is an example of direct spill over of knowledge from the European Union and specifically the United Kingdom. Recently, (2014) the Ministry of Labour and Social Policy announced the development of a Law on Social Entrepreneurship in order to set the legal basis to establish and support social enterprises to employ vulnerable groups of citizens and to take the advantage of the resources available from the European Union, between 2014 to 2020.

SURVEY RESULTS

The survey identified 34 non-governmental organizations and business associations that declare social entrepreneurship as a part of their mission statement or on their web pages. Twenty of them responded on our request. Here are the results. On the question about the perception about what are the key resources of their organizations, 13 of the managers indicated on the intellectual assets that their organization developed over the time, six indicated on the people they have. In other words, almost all (19) of the managers agreed that the knowledge

is the strongest factor for their success and only one of the managers pinpointed on the financial funds as the key for success of his organization. However, only 11 of the interviewed managers reported that they have proper computer based document management system as a basis for advanced knowledge management. Responses on the question about sources of knowledge that the organization use indicate on practice of relying on more external sources and channels of knowledge acquisition. Consulting services had been used by 85% of businesses and self-education and cooperation with international organizations has been practice by 80% of organizations. In total, sixty-five per cent of the respondents (or 17 out of 20) reported that they use simultaneously five or more sources of knowledge acquisition and sharing.

Twelve of the surveyed organizations were members of one or more professional organizations, associations or networks. Membership in such professional organizations both domestic and international is considered by the respondents as practical channel for knowledge acquisition and exchange. Collaboration scores high on the factors of success of the social businesses and organizations in Republic of Macedonia. Specifically, 16 managers of the surveyed companies indicate the collaboration with international organizations as their main factor of success. Twelve of them also find that the collaboration with other national level organizations and companies is equally important, while for 11 of them the collaboration with the non-governmental organizations is important factor of their success. Seventy five per cent of the surveyed social business organizations have invested in up to five innovations and 25% per cent applied 5-10 innovations, in the period 2011-2013. Fourteen of the surveyed social businesses or organizations reported long-term relationship with their clients or beneficiaries.

CONCLUSIONS

In the world driven by fast technology and social change, the social enterprises need constantly to invest in innovation of their services extended to the community in order to drive the desired positive change. This also means that the social entrepreneurs need to come up with diverse, interesting and practical ideas for their mission and for desired level of utilization of the accumulated knowledge. However, knowledge always comes in different forms. Starting from the so-called codified, or explicit and technical knowledge up to much subtle expertise gained thought accumulated experience. Nevertheless, both forms of knowledge are important factors of success for the social enterprises, a new and growing form of business that aims at achieving both commercial results and social impact. Globally,

the importance of social business has increased many folds especially among the members of the young generations of entrepreneurs. Many young entrepreneurs today are coming up with unique business ideas for gradual improvement or elimination of some particular issues or social problem. However, the access of these now cohorts of entrepreneurs to the already accumulated social knowledge is most important for sustained social impact in any given urea of the society. Consequently, many social enterprises share their knowledge in order to grow their missions and the entire social business sector. The knowledge sharing includes learning from each other, utilizing resources effectively, fostering innovation, collaborating, and improving client satisfaction.

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