Small and medium enterprises management: Practitioner versus academic knowledge

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Abstract: Global economics crisis brings completely new challenges which need to be addressed by the management of the small and medium enterprises (SME) which face a period critical to their businesses. Completely new type of “modern managers” is needed. The biggest difference between the present and past is the speed with which the environment changes and the central role of the information and resulting knowledge management. Modern managers are then those, who can use the knowledge to adjust the speed of their responses according to this pace. The paper assumes that knowledge acquired through practice and the one acquired through the academic education are different. If this is not the case, then it must be necessary referring to the importance of different ways that knowledge is acquired. Different ways of management learning then lead to different “usefulness” of (identical) extensive knowledge acquired.

Key words: Small and Medium-Sized Enterprise (SME), European Union, knowledge management, education, managerial learning

1. Introduction

There is an agreement that both the practitioner and the academic knowledge need to be “extensive”. Extensive (wide, broad) knowledge is opposite to narrow knowledge, which implies high specialization. This may represent another aspect of the profile of “modern managers” and that is their versatility, or universality. This may apply more to the role of the managers in the small and medium businesses (SME), where such extensive knowledge is necessary due to its multi-role nature. This brings up the necessity of defining who is the “manager”? In case we see the primary role of a manager as a leader, who gives the direction to the business or institution, then the expectations may vary from the application of the repetitive procedures, routines implied by the practitioner knowledge. “Useful” (actionable, practicable, applicable, functional and working) is fully in-line with the above mentioned requirements of the modern managers, which are their rapid reaction times supported by the practically trained and tested routines. In modern times with a perpetual fast change, tested routines seem to be the first obvious choice to minimize the risk of a failure.

The Academic knowledge is clearly put into a less useful, theoretical and abstract box (from the point of usefulness for the modern managers). Surprisingly, by contrasting the practitioner versus academic knowledge we deny any possible combination of these two, a combination so much preferred in the process of management learning, where a cycle of learning (education) and practice is the recently seen best practice. This knowledge, formed by the combination of the abstract theory and practical understanding, often called the “Tacit knowledge”, represents a precious value for a modern manager. It plays an ultimate role in however practical the nature of the management challenge/action-required may be, directly or indirectly it is influenced by the managers’ reflection on the theoretical knowledge. The distinction of the theory and practice therefore cannot be absolute.

2. Leadership

In the modern age of knowledge-based businesses and ever going rapid change the task of the manager becomes increasingly the task of the leadership. Educational material is not developed or revisioned frequently and it’s updating is carried on by the preparation of new lecture notes, so it happens often few years after the last print-out (Benda, P. & Lohr, V., 2008). In order to better understand the dependence of the complicated system of experience and learning and the powers which fuel the need and the will to managers’ growth, we may confront the development theories
described by the Torbert's concept of transformational learning which is represented by the framework of “action inquiry” (Torbert, W., et.al., 2004). He describes the patterns in both individual and organizational change and development, where he demonstrates the different approach to leadership in exercising seven kinds of action logic. “…what differentiates leaders is not so much their philosophy of leadership, their personality, or their style of management. Rather, it’s their internal “action logic” - how they interpret their surroundings and react when their power or safety is challenged.” (Rooke, D. & Torbert, W. R., 2005). As the citation above suggests, it is vital for managers not only to learn for the academic and practical knowledge, but also to learn more about them; to carefully study the psychology and the personality of the individual. Their development is crucial for the change of the organization. It is about discovering the aspects of one's personality and development of individual qualities.

Fig. 1: Application of knowledge on Action inquiry based on Torbert (2004)

3. Management learning, development and knowledge

The importance of the Knowledge is defined as the “one sure source of lasting competitive advantage” (Nonaka, I. & Takeuchi, H., 1995). It has become the central capital, the cost centre, and the crucial resource of the economy. Nonaka and Takeuchi further describe in their Spiral model how the tacit knowledge becomes the explicit knowledge through the process of externalization (formalization of a body of knowledge) and, on the other hand, how the explicit knowledge becomes through the process of internalization, where it is translated into practice, the tacit knowledge. A wealth of anecdotal data suggest that, despite sufficient conceptual knowledge of what constitutes effective management practice, managers may often lack the ability to apply that knowledge in context. Despite an immense amount of educational resources devoted to its development, applied managerial knowledge is clearly elusive (Baldwin T. T. & Pierce J. R. & Joines R. C., et al., 2011).

The role of the academic research in management is not to provide a solution of the immediate issues, but to develop the fundamental ideas that would shape the managerial thinking itself. Knowledge management is perceived as a difficult-to-measure aspect as in the long term it belongs to strategic management and is mainly related to promoting innovation: not a field to which such SMEs are likely to dedicate much effort (Molnar, Z. & Nguyen, H.H. & Homolka, L. & Macdonald, R.J. 2011).

Kolb describes the learning process as a cycle (Kolb. D. A. & Fry, R., 1975) with two different entry points: the learning poles. They are the experimental (learning from practice) and the conceptualization (generalizing, forming theories). This cycle however, can be entered in either of
them, providing an option to learn from theoretical (academic) knowledge and test it in the experimental phase.

Fig. 2: Different starting points of the learning cycle based Kolb (1975)

The conclusion is that academic and practitioner knowledge thus cannot be totally separated as they not only co-exist, but they initiate, complement and fuel each other.

4. Management roles

The nature of the knowledge needed by the manager depends on and is defined by the role the manager has. It is in fact one of the aspects of the modern managers - the multidisciplinary extent of their work. This has been described as early as in 1973 by Mintzberg, further extended by the common managers’ activities. The importance of these different roles changes not only with individual situation, but also with the framework of assumptions and goal that they (managers) bring to job or are encouraged by others to apply (Mintzberg, H., 2004). How the managers deliver in their role is given very much by the frame of individual assumptions and perspectives on their job. He argues that in order to be successful, managers need to balance all of the key layers of the managers’ role: information, people and action. This forms a strong parallel to the management learning and development – managers need to balance the ways of knowledge acquisition by practice (practical) and education (academic) in order to be successful. In case the managers follow this statement, they would “never venture beyond his or her experience” (Mintzberg, H., 2004). Effective management styles exist in the inner triangle as a combination (not necessarily totally balanced).
The common perception as seen today is of the usefulness of the managers – practitioners versus the “academic managers”, fresh off a business school. In a way this is a criticism of the education system which often does not keep up with the rapid pace of the overall change. Unnecessary accent of the once strong timeless concepts and low attention to the most recent development generates graduates, strong individuals, full of extensive academic knowledge but with a low sensitivity to the actual needs of the modern management. Mintzberg argues that the academic educational process needs to not only teach the theory, but even more it needs to teach how to make the use of it to the benefit of the manager, to combine that theory with experience to explore specific issues and develop bespoke solutions (Molnar, Z. & Nguyen, H.H. & Homolka, L. & Macdonald, R.J. 2011).

Unfortunately, at the same time this denies the accepted best practice of today’s modern manager, which is the continual, perpetual process of integrated practice, learning and theory, the concept generalized by Kolb in his Experimental learning theory (Kolb. D. A. & Fry, R., 1975). Perhaps for his strive for the strong timeless concept, Kolb disregards to accurately represent the actual learning through experience; the cycle suggests a total success in every learning loop, it does not take a failure as an option (i.e. the alternative of effectively breaking the cycle in a dead end), it denies a different sequence in the learning cycle and does not promote any evolution towards the future. As Miettinen (2000) suggests, Kolb’s experience and reflection occur in isolation and that there is the necessity for the individual to interact with other humans and the environment in order to enhance the reasoning and conclusions drawn (Kolb. D. A. & Fry, R., 1975).

According to the research carried out by Lloyds, almost half (45 per cent) of SMEs are worried that there would be risks to their business if they didn’t take measures to become more sustainable, whilst a similar number (52 per cent) believe there wouldn’t be any risks (Lloyds, 2011). Managers developed by practice often challenge the fresh graduates by pointing out their impracticality in real situations. They are the ones who promote the statement, which certainly is a part of their power and politics exercise. Legitimization of such understanding in the organization greatly reduces the chances of any opposition, because it creates a meaningful concept. This composes a serious barrier to the organizational learning which can not only stall the progress, but even cause it to regress. Organization needs an environment, where individuals can share learning without it being devalued and ignored, so more people can benefit from their knowledge and the individuals becomes empowered (O’Keefe, T., 2002).
5. Perception analysis

5.1 Methods and sampling

Following the outcomes of the previous research focused on the competitive advantages and resources based analysis of the Information and Communication technology Industry maintenance SMEs in the region of Central Europe, we identified the full potential SMEs have to match their strategy to the changing environment. High autonomy of their partners together with decision making capabilities represent the ultimate prerequisite for flexible adjustments of company capabilities in order to keep the competitive advantage. Loyalty, communication and information sharing, together with reduced overhead and management costs plus openness to the changes and new knowledge provide the competitive edge over the competition (Tesař, Š. & Havlíček, Z., 2010).

In order to identify the perception of the questions raised above, a research survey had been carried out among the managers in the Information technologies and communications industry (ITC). These industries currently generate 8% of Europe’s GDP and employ some 6% of its workforce. They are the most productive sectors of our economy, together contributing over 25% of productivity growth (Komise (ES), 2011). A sample of 135 managers of SME businesses trading both in the original (EU15) and new (EU27-15) European Union member states was approached with a request to complete an online questionnaire. It included a set of five questions identified by the preceding research on their managers’ perception of different aspects of their managerial roles and what impact the two different approaches to managerial knowledge had on them. Their responses were used as the primary source of data for further analysis.

The research goals:

1. Identify the importance of both academic and practitioner knowledge to key managerial roles.
2. Examine the differences in perception of the impact such knowledge has on different groups of managers.

Individual managerial disciplines were grouped into the following six general knowledge and capabilities groups (Mintzberg, H., 2004) according to how the academic and practitioner knowledge:

- add to the status of the manager and underline the leadership position in the organization structures,
- contribute to the Speed of reaction to a change which has been recently indicated as one of the crucial managers’ capability: to developed and implement corresponding strategies and take an instant initiative,
- are Useful in everyday business processes, how can organizations establish themselves with a clear strategy and direction,
- support the framework of continuous and Correspondence with Self learning loop
- provide a competitive advantage for the company, together with the Knowledge transfer (Argote, L.& Ingram, P., 2000) in organizations,
- support the multi – disciplinarity nature of modern managerial roles.

Every answer indicated a different level of importance of the different aspects as executed by the individual respondent. The scoring used:

- 10 - highest value, most important
- 0 - lowest value, least important

5.2 Data analysis

<table>
<thead>
<tr>
<th>Practitioner (P) vs. Academic (A)</th>
<th>EU 15</th>
<th>EU 27-15</th>
<th>Comparison</th>
<th>Age &lt; 40</th>
<th>Age 40 &lt;</th>
<th>Comparison</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlines the leadership position</td>
<td>5,5</td>
<td>3,6</td>
<td>6,1</td>
<td>6,2</td>
<td>11%</td>
<td>73%</td>
<td>5,4</td>
</tr>
<tr>
<td>Speed of reaction to a change</td>
<td>7,1</td>
<td>4,4</td>
<td>6,3</td>
<td>5,7</td>
<td>12%</td>
<td>30%</td>
<td>5,4</td>
</tr>
</tbody>
</table>

Tab. 1: Analysis of SME managers’ perception of the knowledge management
In order to further analyse the possible differences the sample data were split according to the managers’ age. The overall results are showing a slight preference of the practitioner knowledge (5.6 points on scale of 10: maximum) to the academic knowledge (5.2). Practitioner knowledge scored the highest rating in how it adds to the speed modern SME managers react to the change all across the sample groups scoring 6.7 points in total.

The biggest difference in responses (73%) to the perception of the individual disciplines was recorded in the score for how the managerial knowledge underlines the leadership position of the manager. While the respondents in the EU15 do not value the academic knowledge highly (3.6 points), the managers in the EU27-15 acknowledge its importance by scoring 6.2 points. The second biggest difference (35%) was recorded in evaluation of the competitive advantage the practitioner knowledge provides, scoring 4.3 points at EU15 and 5.8 points at EU27-15.

Fig.4: EU15 (left) and EU 27-15 perception of the Academic vs. Practitioner input

While there have been significant differences in between the responses from EU15 and EU27-15 the differences from different age groups are limited to the different perception of how the practitioner knowledge affects the speed of reaction to the change (32%) with scores 5.4 (age <40) and 7.2 (age 40<).
6. Conclusion

The research findings reveal that the society identifies the motivation of the managers and their organizations. In their prevailing non-altruistic motivation of the accumulation of wealth, they may prefer to teach their managers the respect to the goals of the organization, using the organization practices and to act in a predictable way even though the organizations are aware of the shortcomings of such concepts. “Every organization has its own particular ‘climate’, and, at any given time, most of its key individuals reflect the general outlook. They gradually communicate this to others in the organization, and in time due to recruitment, turn-over and such processes the cognitive style will reflect the general organizational ethos” (Kirton, M. J., 1984). A good example could be often devastating environmental effects of the manufacturing processes or oil mining. As Kirton points out, ordinary people in organizations can do even morally wrong things when they are asked. In this case it would be an example when the actions in question are routinized and when you do not see the whole picture or the consequences. Academic knowledge should be the guarantee of the generally accepted best practices and should not be influenced by such ulterior motives.

While there exists only a slight difference in the perception of the value of both approaches to the managerial knowledge acquisition in different age groups of SME’s managers, the different perception of their impact between the original European Union member states where the practitioner knowledge is highly rated and the new member state still relying more on the classical academic approach is more significant.

From what we have learned, extensive practitioner knowledge serves well in the situation where manager needs to act fast to solve wide diversified operational tasks with low risk of possible failure. On the other hand, the academic knowledge is necessary for long term strategic planning, introduction of the latest theoretical concepts and highly specialized management roles and tasks. The continual managerial development relies on synergy of both the practitioner and academic knowledge. In combination they both provide the solid background for the high requirements put on the modern manager today. Strict distinction between the two approaches builds a barrier to the organizations progress and development. For the learning managers and the business schools this constitutes a fair challenge which needs to be address by teaching and learning not only the “extensive academic” knowledge, but how to combine and exercise knowledge specific to the managers’ area of deployment.

Bibliography


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