

Rethinking 'Knowledge in Use' in Small Businesses: A Perspective



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Abstract

Small businesses are the backbone to every economy and according to the United Kingdom (UK) Department for Business, Innovation and Skills, accounts for about 48% (12.9 million) of employment and about 36% (1.6 trillion) in business turnover, job creation and local communities. In a period where the Covid-19 pandemic and war in Ukraine has damaged economic activities, small businesses are under pressure with breakdown in supply chains and inflationary situations leading to loss in sales and closures. Though many governments, including the UK government have devised special measures to support small businesses, this has not been not had the required effects across the board as failures increase and the perception of success is low, for example the UK Department of Business, innovation and Skills (2018) reports that there was a decrease of small business in the UK of 1.5% (about 82,000 businesses) between 2021 and 2022 and 6.5% between 2020 and 2021. This article takes the view that small businesses could look more inwardly and rethink their 'knowledge in use' as a critical success resource to adapt and survive in a chaotic environment. It also provides suggestions for small business owners and policymakers. Understanding this would require knowledge of self and the fundamental reasons for being in business, that of being an entrepreneur and therefore being entrepreneurial. Small businesses as compared to bigger businesses revolve around their owner-managers who are entrepreneurs.

Keywords: Economic Activities; Inflationary; National Legislation; Entrepreneurial; Impediment

Abbreviations: UK: United Kingdom; FSB: Federation of Small Businesses; AI: Artificial Intelligence OECD: Organisation for Economic Co-operation and Development

Owner-Managers

According to the OECD (2010), owner-managers are those who hold a role in a small business, in which they alone, or together with other members of their families or one or a few partners, hold controlling ownership of the enterprise; and have the authority to act on its behalf as regards contracts with other organizations and the hiring and dismissal of persons "in paid employment" with the same organization, subject only to national legislation regulating such matters and the rules established by the elected or appointed board of the organization. 'Knowledge in use' in small businesses would therefore be centered on the key capabilities that owner-managers possess and how this can be harnessed for business survival and growth (Culkin and Smith 2000). This would look at comparative details between the United Kingdom (UK) and the United States (US).

Owner-manager's knowledge

Owner-manager's knowledge, defined as the traits, motives or skills of a person linked to superior performance is therefore

intrinsically linked to business growth Ghoshal [1]. This knowledge shapes their dreams and therefore vision for their business. Furthermore, knowledge is influenced by values and culture innate to owner-managers which is converted to business processes in routines, 'know-how', organizational culture and embedded practices. Sparrow [2] divides knowledge in use into what is it, where it comes from and whether the organization knows its value. This work would consider knowledge based on the definition by Davenport and Prusak (1996. P5) as "a fluid mix of framed experiences, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. Framed experiences could be seen through the prism of owner-managers personality and values which could lead to expert insight either formally through education or critical experiences gained through time. In all of these, the personality of the owner manager would be crucial in identifying and making key decisions based on either education or past experiences to keep business afloat.

Personality of owner-manager and knowledge in use

Knowledge in organizations has been recognized to be a multifaceted mixture of different intellectual material and thinking Sparrow [3] and competence ingrain in the framework of a business, its ways of doing things and its environment. Bonabeau [4] suggests that this requires recognition of new thoughts influenced by past experiences and visual ability; an approach that can establish interplay between the key features of the business and its competitive environment and the views of owner-managers of the current and evolving development needs expounding a need for entrepreneurial spirit. Stuart and Lindsay (1997) relate how organizational values, conceptions of competitiveness, strategic intent and philosophy of concepts such as customers, team working, and relationships can influence the owner-manager's experience and outlook. Interaction between personal and organizational values can affect business performance and it is useful to establish owner-managers' views of existing and up-and-coming values based on their entrepreneurial intentions and outcomes. Due to owner-managers centrality, intellectual assets may be significantly embedded in their human capital Sparrow [2]. The main frameworks supporting the business and providing room for adaptation could depend on the knowledge of the owner-manager and their team. The personality defined by Furnham [5] as "...stylistic consistencies in behaviour, which are a reflection of inner structure and processes." of the owner-manager is crucial in developing an entrepreneurial spirit and can be seen through the (i) cultural and social norms for supporting new and growing businesses, (ii) entrepreneurial intentions, (iii) growth expectations and fear of failure.

Cultural and social norms

People make sense of life through their network socialization and the way of doing thing which influences their life outlook. Therefore, societal norms and culture would affect owner-managers perception and therefore decisions on business outcomes. Hart [6] reports that there was a decrease in cultural and social support of new and growing businesses in the UK in 2021 as compared to previous years and also in comparison to the United States where more respondents showed a positive attitude towards entrepreneurship Kelley [7]. The covid-19 pandemic, inflation and especially governmental responses to these situations could be ingredients to this affecting the personality of owner-managers a lower perception of cultural and social support for businesses. For example, the United Kingdom went through a series of changes in governments which created uncertainty in different sectors. On the other hand, the US government was stable and put in early measures to tackle inflation and the cost of living.

Entrepreneurial intentions

One of the key reasons for being in business is to be an entrepreneur but as Chell [8] suggests, there are different types

of entrepreneurs considering their intentions and taking actions on the intentions (outcomes). However, having entrepreneurial intentions is a good start for owner managers to reflect on different possibilities. Looking again at data from the GEM studies Hart [6], 18.3% of working age UK adults expected to start a business in the next three years with a similar 20.5% for the US Kelley [7]. Furthermore, 7.2% were actively involve in nascent business compared with 10.7% in the US. 4.5% of UK adults are new business (4 - 42 months old) owner managers as compared to 6.0% in the US whilst 6.9% of UK adults owned an established business older than 42 months as compared to 8.8% in the US. Amongst these details, the rate of new and established businesses remains stable as compared to previous years with an average of 3.5% being discontinued in both the UK and the US. These details show that most businesses are stagnant and the proportion of those with intentions, who could also be employees or owner owner-managers could convert their intention to actions. A positive point is noted in the 55-64 UK age group who show a willingness to engaged in entrepreneurial activities. On the other hand, an even positive point is noted in the improved entrepreneurial intentions and stable growth in business for women in the US as compared to men. It therefore shows a level of prospect for necessity entrepreneurship.

Growth expectations and fear of failure

The perceptions of owner-managers are influenced by, values, social, cultural and environmental aspects that would affect their outlooks and therefore their vision which could be reviewed in their business plans. Based on their personalities, owner-managers would have different views on growth and fear of failure. The perception of business failure increased by 4.6% in the UK between 2020 and 2021 with the US showing the highest level of fear of failure at 43% Kelley [7], though still lower to that of the UK at 57.6% in 2021 Hart [6]. Demographically in the US, blacks suggest a low fear of failure at 32% as opposed to 45% and 43% for whites and Hispanics respectively. Though the Covid-19 pandemic was an impediment to business, some owner-managers saw and opportunity for growth. The study of US respondents stated that 43% of owner-managers of established businesses had a positive outlook for growth as compared to the previous year. Only 28% had a lower expectation Kelley [7]. On employing more people, which is an aspect of expected growth, the UK job expectations is 7.1% points higher that the US. These show that owner-managers personality and perception towards future prospects seem to be stronger in the US even though the UK has higher scores for job prospects which is one of the main objectives for small businesses. Owner-managers can therefore reflect and rethink their knowledge in use, make it more explicit in documents like their business plans and imbed it in their processes to impact them and their employees in achieving the vision. The definition of knowledge also considers framed experiences which can be looked at through owner-managers experience and education.

Owner-managers experience and education

To achieve the dream of the owner-manager and survive in a turbulent environment, the perception as provided in personality could be included in routine knowledge based on past experiences and education. Education is precious to harness the resources for an owner manager to innovate and survive as it has a positive impact on entrepreneurial outcomes Matlay [9]. With continuous rethinking, information gained in socialization with teams and other stakeholders like academic institutions, can be converted to experiential knowledge through critical thinking and autonomous reflection, highlighting new skills and common experiences. With this, new ideas could be gained ready for commercialization through innovation. According to the FSB in 2018, 40% of businesses innovators in the UK are unaware of any R&D tax relief relevant to their business and less than half of small businesses have used cloud service (40%) online data storage or back up (37%) or file transfer technology (33%).

Education and Experience

The report suggests that UK owner-managers who were confident of their entrepreneurial skills and experience fell from 44.3% in 2020 to 39% in 2021 though perception of opportunities was higher. This goes to validate the fear of failure in the UK which increased by 4.6%. On the other hand, though fear of failure increased in the US, two-thirds of those studied suggest that they have the required skills and education to be entrepreneurial. Looking at this from the point of jobs prospects, it may suggest a serial entrepreneurship style for US businesses as employee regulations may be less tight than those in the UK. The study suggests that the UK ranks high in internal market burdens and regulations but the point of 55-64 years showing entrepreneurial intention suggests that this would be critical in small business growth given that this group comes with more experience, networks and would include owner-managers of established businesses. Looking at the various demographics in the US, 73% of blacks as opposed to 63% of whites and 56% of Hispanic suggested capabilities in entrepreneurship. However, the right kind of education has to be considered and covered appropriately. The key areas developing these days that warrant owner-managers competence is marketing skills especially using digital technologies and accounting and finance knowledge to better manage cash. Taking an opportunity to grow the business must therefore require a rethink of the business plan and covering of knowledge gaps to succeed.

Converting knowledge in use to opportunities

In a constantly changing world, the production of new ideas or an ability to solve problems is not sufficient to meet the definition of entrepreneurial opportunity identification. In order to use new ideas, calculated risk is necessary including the need for achievement, the desire to have control over the environment, self-efficacy and social competence as motivational factors. This would require a robust communication strategy to selling of

ideas and convince self and others key stakeholders. Looking at entrepreneurial aspirations and the growth of small businesses, the GEM study, establishments of firms in medium and high-tech firms fell from 14.8% and 8.7% to 5.5% and 5.7% respectively. Exports also declined from 27.2% to 21.6% for high tech firms and from 23.3% to 19.3% for medium tech firms. This suggests a gap in the opportunity to commercialization gap which will require key aspects of entrepreneurship, especially in the UK. Kelley [7] in the US national report on the other hand suggests that 23% businesses use technologies new to their regions, nationally and internationally to build new offerings and deliver their products and services, 28% suggest that their offerings are new to the peoples in their region, an improvement from previous years. Based on their intentions and outcomes, owner-managers with entrepreneurial intentions but non - entrepreneurial outcomes are would be 'unrealized entrepreneurs'; those exhibiting entrepreneurial intentions and entrepreneurial outcomes are 'realized entrepreneurs' Chell [8]. Unrealised entrepreneurs would therefore need to rethink, cover the opportunity to commercialization gap and convert to realized entrepreneurs in order to keep their businesses alive. This can be achieved by identifying barriers to innovation which according to the Federation of Small Businesses (FSB) would involve lack of time (43%), lack of staff or skilled employees (37%) and too challenging (27%). Strategies could then be put in place to exploit opportunities.

Exploitation of opportunities

In building a strategy to achieve dreams, owner-manager need to concentrate on the market process, in which they are alert to opportunities Chell [8], convert by taking calculated risks, being proactive and having a high sense of achievement. It is argued that owner-manager's effort is guided by choices, but also the inclination to be alert to opportunities, which is needed for entrepreneurial decision-taking process based on information asymmetry. Entrepreneurial profit opportunities exist when such information is used effectively to generate resources Chell [8] and entrepreneurial behavior therefore comprises gathering, analyzing and making decisions based on market information and further overcoming the shortcomings of innovation. Chell further states that entrepreneurial owner-manager pursue opportunities that already exist and being entrepreneurial is associated with an environmental awareness. In situations of necessity entrepreneurship, the owner-manager is in a totally uncertain future where, at the point of decision and exploration, opportunities are created and commercialized to bridge the opportunity gap. The awareness process would need a continuous process of learning and networking with key stakeholders [9-11].

Conclusion

To adapt and weather the chaos environmental and political environment, owner managers would need to learn and engrain knowledge in processes and technical procedures for the development of knowledge in use are necessary. The details show

that these skills and education needs to be encouraged more in the UK than in the US [12,13]. Adoption of new technological software could enable owner-managers to develop a functioning system as well as a small investment in, digital technologies, IT consulting support, and formal executive educations will be valuable. Again, there is enough evidence to show that the US has more adoption of new technologies being used in the development and delivery of product and services than the UK. The US also shows evidence of high women and minority groups entrepreneurial intention and survival in business which should be encouraged in UK small businesses. Owner-managers and policymakers in the UK could support businesses in the course of development to continuously consider learning and uncertainty capabilities in a turbulent environment [14].

Action plans for the next part of the 'business' or 'process' in knowledge terms could then be mapped out, leading to speed in learning, and in adopting knowledge projects for entrepreneurial outcomes and business survival and growth. Even though governments may help small businesses with cash injections, survival and growth is contingent around looking at key internal factors and a willingness to overcome impediments to innovation. The fear of failure, especially in the UK is very high, which warrants conditions to be put in place for business survival. The studies also suggest that UK owner-managers see ventures as longer term with increased job prospects and a legacy as opposed to US owner-managers who are more serial entrepreneurs. It is also necessary to mention the impact of Artificial intelligence (AI) in this respect as some owner-managers may see this as a threat instead of an opportunity to innovate and add value to their businesses. It may then be appropriate to appreciate these differences in knowledge in use and revise them as necessary to meet desired goals. Small businesses performance will depend on competitive advantage through the continuous rethinking of owner-managers knowledge in use, depending on owner-managers' personality traits and continuous learning. Also, the impediments as suggested by the FSB in lack of time, lack of staff or skilled employees and challenging environment for entrepreneurship needs to be

addressed at a national level through government policies. This would provide them with the ability to be more aware of their environment, anticipate any signals and adapt in order to survive.

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