CRISIS! JOBLESS AND SMALL BUSINESS: DANGER AND HOPE

Ricardo Barrera
CESDES - Universidad Nacional de la Patagonia
Puerto Madryn, Argentina
rbarrera@rbya.com.ar

ABSTRACT

The world lives a systemic global crisis. This year put 52 million working-age populations out of a job, and in addition, some 90 million people will enter the labour market worldwide in 2009-10.

To change or minimize that, it is necessary to place employment and social protection at the center of fiscal stimulus measure, because it needs to build a fair and sustainable globalization providing opportunities to all.

ILO proposes providing credit lines and direct access to government loans to small businesses (important drivers of innovation and employment growth) so they can maintain operations (and seize potential new opportunities) until demand is restored.

The statement that the small businesses drives the innovation and employment growth is a common place, but there are finding, amongst firms in the smallest size categories, the vast majority do not exhibit any significant growth, and many have a conscious strategy of refusing to grow. This lead to the, perhaps, initially perplexing finding that whilst the smallest size of firms are on balance growing faster than other sizes of enterprise, comparatively few firms are contributing to that growth.

Growth firms, therefore, are “special”. They are unusual, but hugely important. Given the continuing desire of politicians, in most economies, to promote job creation, they are a focus of public policy attention. Politicians want to know how to create more of them, and how to convert slow-growing into fast-growing firms.

The goal of this paper is to highlight the challenges of the small firm’s owner-manager to change the management style or the nature of the organization, the strategy and his role as owner, to make growth successfully. Also, highlight how to increase the human capital and/or the knowledge enterprise.

Keywords: small business, growth, knowledge management, collective intelligence.

INTRODUCTION

Today the world live in midst of a systemic global crisis, the like of which the people never witnessed in its lifetime. If you see the photographs of the Great Depression, you can see the drawn faces of women and men, their eyes. Their despair spawned political extremism that left a stain on society. They suffered because cannot get work. Even today’s slump is different from the Depression; this year put 52 million working-age populations out of a job, and in addition, some 90 million people will enter the labour market worldwide in 2009-10[1].

To change or minimize that, bold and swift action is required to reactivate the economy. It is necessary to place employment and social protection at the center of fiscal stimulus measure, because it needs to build a fair and sustainable globalization providing opportunities to all.

ILO (Torres, 2009) proposes providing credit lines and direct access to government loans to small businesses (important drivers of innovation and employment growth) so they can maintain operations (and seize potential new opportunities) until demand is restored.

So, small- and medium-sized enterprises matter; and without a healthy SME sector, economic recovery is unthinkable, and World's future prosperity and competitiveness are at stake.

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Growth firms, therefore, are "special". They are unusual, but hugely important. Given the continuing desire of politicians, in most economies, to promote job creation, they are a focus of public policy attention. Politicians want to know how to create more of them, and how to convert slow-growing into fast-growing firms (Biga Diambeidou, 2008).

Barrera and Frias (2008) exposes that advantages of small firms "are more related to entrepreneurial dynamism, internal flexibility, responsiveness to changing circumstances and specialized expertise, which contribute to higher innovation efficiency in skill-intensive sectors enjoying rapid technological development."

It is accepted that new firms growth is essential for the foundation of economic dynamism, but knowledge about this early growth is still scattered. Very little is known about how new small firms grow and develop over time. What types of distinct growth patterns do those enterprises exhibit? How do these growth patterns and corresponding enterprises differ from each others in terms of development and strategic choices?

To better understand the process of new firm growth, recent entrepreneurship research stresses that there is a strong need for a new conceptual scheme and new longitudinal research methods. This is actually one of the main entrepreneurship research challenges.

The goal of this paper is to highlight the challenges of the small firm's owner-manager to change the management style or the nature of the organization, the strategy and his role as owner, to make growth successfully. Also, highlight how to increase the human capital and/or the knowledge enterprise.

[1] ILO (2009).

Crisis! Jobless and Small Business

Politician and Economist‘s view

Rien n'est plus dangereux qu'une idée, quand on a qu'une idée [2]

Alain

Politician and economists agree access to adequate finance and working capital are necessary to prevent viable businesses from going into bankruptcy at this time, and rapid adoption of a late payments directive - one of four legislative proposals within the Small Business Act (SBA) would be great news to millions of European SMEs. The obligation of public authorities to pay on time is also crucial (European Commission, 2008).

When the crisis began, there was no indication than SMEs would be affected, but then it knows that SMEs have been affected. A lack of liquidity has affected the ability of major companies to pay their suppliers. Banks are not lending and most of them have tightened their lending to SMEs. The SBA expect to move more quickly, however, all SME legislation is required to be tested before implementation, to ensure that the legislation fits their needs and to assess the impact of the legislation in terms of administrative burden and its usefulness.

It will make? Perhaps it is necessary, but no sufficient. Looking ahead to the time after the crisis, major obstacles to SME growth will remain: red tape, regulatory burdens, taxation, inflexible labour markets, and lack of skilled workers, internal market barriers and difficulties in accessing markets abroad.

And inside the small firms …

You want to be perturbable. Because if you're not, we're going to put you in a category called 'clinically dead,' and that's a very different future.

Victoria Castle

Small business performance in an industrial and commercial society means knowing how to produce and sell better and faster than one’s competitors. Today, most companies know how to produce and sell. That is why they exist. If they did not know how, they would have already disappeared. But as entreprises find themselves increasingly on a par with each other in this regard, the easiest way to grow and gain market share is to buy up competitors.

[2] Nothing is more dangerous than an idea, when it’s the only one you have.

Small business performance in an information society means knowing how to mobilize collective intelligence and the knowledge of stakeholders (employees, suppliers, customers, etc.). If knowing how to produce and sell has become a basic necessity, it no longer constitutes a sufficiently differentiating factor in international competition. In the past, enterprises were industrial and commercial; in the future, they will increasingly have to be intelligent.

The intelligent enterprise –small, medium or great- is built principally on Collective Intelligence (CI) and Knowledge Management (KM), which perhaps cannot exist and effectively function without information technologies. Amplified-information intelligence technologies aim to enhance and extend human intellectual capacities, particularly the cognitive capacities of groups. They have significantly advanced in recent years from information, to communication, and collaboration.

Information and communication technologies have made information available: store and share. Information and collaboration technologies (collaborative intranets) go much further.

They enhance the performance of human interaction and imbue information with operational value. Amplified information intelligence technologies are now giving concrete form to the concepts of collective intelligence. But some people think they can develop collective intelligence while minimizing the importance of technology, even avoiding it altogether. Besides classic resistance to change, such avoidance can be attributed to cultural predispositions toward physical human contact and verbal communication. In Latin countries, for instance, such traits are cherished as part of a cultural identity.

Aristotle was talking about collective intelligence back in Ancient Greece: “The principle that the multitude ought to be supreme rather than the few best is one that is maintained, and, though not frees from difficulty, yet seems to contain an element of truth. For the many, of whom each individual is but an ordinary person, when they meet together may very likely be better than the few good, if regarded not individually but collectively, just as a feast to which many contribute is better than a dinner provided out of a single purse. For each individual among the many has a share of virtue and prudence, and when they meet together, they become in a manner one man, who has many feet, and hands, and senses; that is a figure of their mind and disposition.” (Aristotle, 1968).

It is a decision or action of higher quality if it is taken by mobilizing the intelligence of a number of people. Joining forces create strength. The managers need to think before act. And gather information before think. This is all common sense.

The premise of KM and CI is that collective performance exceeds the sum of individual performances. At an operational level, collective intelligence is the capacity of an enterprise, a community, to ask questions and seek answers together. Knowledge management, to take one of the simplest definitions, is the act of capitalizing and sharing knowledge. Here, to capitalize means to give form to information outside the head of the person who holds so the firm that it can be shared and made available.

In biology intelligence depends not so much on the number of neurons in the brain or some genetic inheritance, but on the number of synapses interconnecting these neurons (CI) and the acquired information we have accumulated since birth (KM). Human intelligence is forged through rich interconnections and exchanges based on what a person know.

As the people age, synapses decrease, contributing to the onset of degeneration. Similarly, for an enterprise to become more intelligent, "synapses"—interconnections among its members and entities—must increase and the information needed for those synapses to occur must be capitalized.

Neuron connections are essential to human intelligence; people connections are essential to organizational intelligence. What is true among members of an organization is also true, from a systems perspective, between a firm and its environment. Here emerging the concept of "extended organization" that encompasses more numerous relations—interconnections—with the outside world (e.g. through business portals aimed at customers).

In most enterprises, the least developed dimension of the intelligent business is CI, which materializes through the kind of intellectual collaboration that can be observed particularly during moments of collective reflection. Collective reflection is a more explicit, discursive and conversational subset of collective intelligence. Collective intelligence in fact includes the organization and dynamic operation of all elements of a culture. Collective reflection in firms often remains weak for cultural reasons, out of managerial habit, and for lack of adequate information and collaboration technologies.

In the intelligent small firm, it is important to distinguish between collective reflection and collective communication: Reflection implies intellectual cooperation through which information is created, becomes meaningful, and is applied to existing information, transforming it into new information. Communication allows for an exchange of information, without there necessarily being any intellectual collaboration.

This distinction is important because people often think they are cooperating when really they are merely communicating. Just about everyone sends and receives information; few are those who engage in the more difficult act of co-constructing it.

It must also distinguish collective reflection from collective decision-making. People's reaction not well when they first hear about CI is often: "That's all very nice but a chief has to make decisions!" Then they go on to explain that CI would be dangerous because would make a company democratic (all decisions are taken by majority vote). Great confusion thus exists between reflecting and deciding. This is unfortunate, because it scares those who would like to change the status quo. But CI has nothing to do with the act of deciding, but with thinking, cooperating, innovating, and creating. CI helps decisions emerge, but does not directly impact the decision itself. It no matter if one or several people make the decision. What matters is the mobilization of collective intelligence and knowledge in the process of getting to that point. Many bosses resist collective intelligence as a process because they fear it will cause them to lose power. CI does not redistribute power (everyone keeps their place and same amount of power), but changes management practices and how power is exercised. CI thus implies a new kind of organizational governance, namely management of collective intelligence.

No automatic connection exists between collective reflection and intelligent decision-making. The mass is not always right, especially when that mass is like a conformist herd of cows that questions nothing. That is why initiatives toward collective intelligence aim to capitalize on the whole diversity of knowledge, ideas and skills within a group and to organize that diversity in a creative and productive dialog. The culture of collective intelligence gently and peacefully establishes an open multi-source preferable to a compartmentalization and isolation of intelligence as well as to politically correct uniformity.

Collective reflection can result in a stupid decision, just as individual reflection can result in an excellent decision. Collaboration does not make a decision intelligent, but without it, the decision may not be. Getting people together is not enough. The purpose of managing collective intelligence is to get to an intelligent decision through tools, methods, processes and technologies. Managing collective intelligence means, that a manager defines who will gather information, who will reflect, who will give their opinion, who will decide, who will capitalize the information, and who will act. Sustainable development policies, for instance, include the very important phase of stakeholder consultation. Yet that is but one of the steps in a process leading to intelligent decisions.

Information creates value. And this value especially depends on the quality of the interaction among people around that information. Collectively constructed value will far exceed the mere sum of the intelligences of each person in the group. Today’s firms must have the desire (culture, values, and beliefs), know-how (interpersonal skills) and means (organization, structure, operations) to mobilize knowledge and collective intelligence.

Gardner (1983), a Harvard University’s psychologist, say there are eight forms of individual human intelligence: verbal (for communicating), rational (logical/mathematical), musical (giving meaning to sounds), spatial (perceiving images and reproducing them), kinesthetic (controlling one’s body, movement), intra-personal (ability to understand oneself), interpersonal (ability to understand others, empathy), and naturalist (ability to understand one’s environment). There thus exists a “set” of individual intelligences.

Collective intelligence is the intelligence of connections, of relationships. Some people also define it as connective intelligence, a global brain, symbiotic man, or relational intelligence. Collective intelligence is about harmonious connections. These connections foster cooperation. Per se, collective intelligence is the ultimate outcome, the materialization of intellectual cooperation.

In an small firm, managing collective intelligence means combining all of the tools, methods and processes that enable connection and cooperation among individual intelligences in order to achieve a common objective, accomplish a mission or complete a task. To manage the collective intelligence of an business is to cultivate a dynamic of intellectual cooperation among individuals (interpersonal cooperation), create internal cooperation among teams, and develop external cooperation with the enterprise's customers, suppliers and even competitors. Cooperation with customers and suppliers is referred to as the extended enterprise. Cooperation with competitors is called "coopetition," a contraction between cooperation and competition, meaning that we are competitors but we cooperate. Two or more small industrial competitors can, for example, cooperate when it comes to shipping their products if they don't happen to compete on that basis but on how customers rate the product itself.

Today the information society is gradually transforming industrial and commercial small firms into intelligent small (?) enterprises. Those that do not evolve in this direction risk falling out of sync with the society environment. The intelligent small enterprise stands on these pillars: collective intelligence (quantity and quality of intellectual cooperation), knowledge management (quantity and quality of knowledge) and information and collaboration.

These concepts continuously interact; they are inseparable and complementary. To acting on one means also advancing the others to reestablish congruity among all. If one is missing, the firm will not be operating in the realm of intelligence but some other dimension. As illustrated (Fig. I), each must be accorded equal importance and their development coordinated.

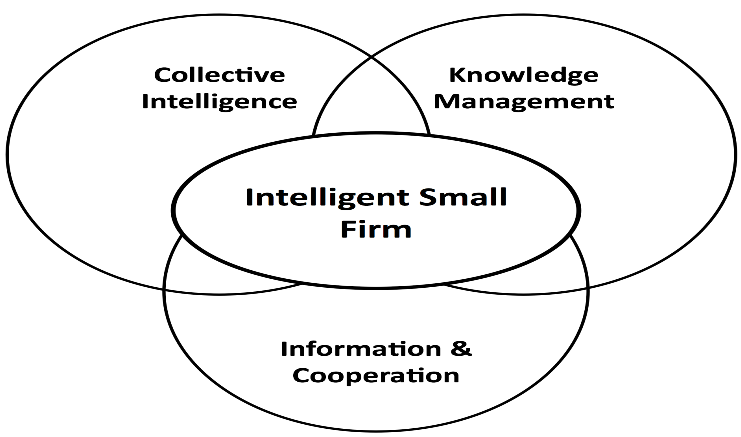

Figure I. The three concepts of the intelligent Small Firm.

The sustainability of the intelligent small firm resides in intellectual cooperation, that is, in interactions between two or more people. But cooperation requires that people come together, which in turn requires movement. Throughout human history, cooperation has been limited by our capacity to move from one point to another, but with Internet, the possibilities for cooperation are now without boundaries.

But technology advances faster than the culture of the small firm, which has been forged and passed as a function of limited and rigid styles of management. If they need intellectual cooperation, they must change in several dimensions:

• Values, culture.

• Time and technologies. Cooperation develops with face-to-face human interaction. These perhaps involve Internet technology

• Space. It cooperate more with those in physical proximity. Also virtual proximity.

• Organizational strategy, structure, daily operations, and dynamics. Constant interaction exists among these factors, and that interaction influences the quantity and quality of cooperation.

But often it is possible false intellectual cooperation. They think they are cooperating, but they are not. No one openly denies the need for cooperation. Everyone says and thinks cooperation is necessary. That is the politically correct thing to say. Unfortunately, though, cooperation as currently practiced is often a false cooperation to optimize personal gain, not necessarily at the intentional expense of the group, but without real concern for it either.

The processes of managing, communicating and negotiating are essential as cooperating. But to develop cooperation, they first have to distinguish it from these other actions. They might cooperate in the context of a meeting, but simply participating in a meeting does not in itself mean they are cooperating. They are cooperating when they show initiative, when they help the neighbor with his or her work, when they are imaginative and creative, and they does all of this in the common interest of the personal fulfillment and the success of the firm.

But the ideal is “united we stand”, and the reality is “every man for himself.” All are judged on the basis of a social approach that says all are paid to achieve firm’s objectives, not those of the next people. It seems improbable to the manager would ever “assign” cooperation as a work objective. Giving time to others is seeing as a waste of time because it is not something managers have explicitly been assigned to do.

The social approach currently is implicitly based on non-cooperation. Cooperation does exist, of course, but it is neither required nor expected by the social structure. It is informal.

They certainly will not move toward collective intelligence without a new social approach they might call a collaborative approach that could specify relational rights and obligations corresponding to cooperative behavior. Upholding that collaborative approach it would bring about a change in behavior and thus a change in values toward an ethic of collaboration. All need a new social approach based on an ethic of collaboration so as to render explicit which behaviors are acceptable and desirable and which are not. In line with this new ethic, people would be evaluated based on their ability to cooperate (a new individual performance criterion). Even more importantly, small firm's management would set the example by upholding this ethic itself.

A collaborative approach is useful for one simple reason: He or her want to cooperate, but he or her do not want to be the only one. Giving of his or her time to the group must be part of his or her objectives, the day-to-day work. To understand this, it needs to change the small firm's management paradigm, competition-based vision of the world. Competition is good and necessary if it is balanced with cooperation (concept of coopetition).

The collaborative approach is not an objective but a means of achieving an objective, fostering intellectual cooperation. The owner-manager of small firm completely agrees with this approach (social, collaborative, rights and obligations, ethics, involvement of management). It must be implement based on the individual—management of the individual—network (collective) three-way relationship - give-give/win-win, in which each party must give and win in balance with the other two.

Resistance to change

Cooperation and partnership is the only route that offers any hope of a better future for all humanity.
Kofi Annan

One of the classic ways the owner-manager avoids change is by arguing that there is not time. And in general, the people say they love to cooperate but simply don't have time.

Lack of time is a "reason" for sticking with individual-style management without collective reflection or knowledge sharing. "I don't have time" really means "I don't want to do it". Owner-manager organizes their time and set action priorities based on the way he or she is used to working and especially on their values and the perceived pertinence to achieving their objectives. It may see a collective-intelligence approach to management as useless or not want to understand its worth because he or she doesn't share the values underlying it.

He or she does not just understand the advantages of collective intelligence. If he or she did, there would be no need to write this paragraph. Values evolve over time or through management initiatives aimed at encouraging behaviors in line with the current or desired culture.

Instituting a collaborative pattern will require individualized and training and coaching to develop behaviors that stem from the values of sharing (my knowledge, my experience, my skills and so on), responsibility (feeling responsible for achieving owner-manager's objectives and also for the on-going development of the firm), and respect (respecting the interests and opinions of others; I win, the other person wins, the whole firm wins). The major difference between cooperation and non-cooperation comes down to spontaneity and the values that prompt to cooperate or not.

The owner-manager must understand that the information system of the firm is himself. There are no software capable of translate his or her knowledge, information and/or skills to another people, if he or she not cooperate and trust in the others.

Small business doesn't need new ideas. It has been through the paradigm shift. It has sustained tremendous improvement in productivity, effectiveness, and attentiveness to opportunities. That doesn't mean it has been successful; indeed, as it has explored new ways of working, he or she have all learned how hard it is to put these ideas into practice. Owner-managers routinely say that the hardest thing they do is improve people and firm culture. But is his or herself and own culture.

He or she need to move from the top-down view of management as "command and control" to a much more flexible view "coordinate and cultivate" (Malone, 2004).

Human Capital

The human being must always be
treated as a subject and never as an object
Emmanuel Kant

The best small firms have people who are loyal, committed, who really don't just work only for the wage, but work for the firm with a sense of pride. Best and updated small firms come from innovation, responsiveness to customers and engaging the people who work for them.

The fast-growing "knowledge small firm" will also play a key role in driving and reshaping economic activities. But it is necessary to increasingly investing in intangible assets such as human capital. And this type of investment not needs currency like others, in this kind of firms.

There is strong indication that human capital factors like education and experience lead to growth only when the wish to expand is also there. A factor that is sometimes crucially important but not a universal growth recipe is the availability of external human capital. In the cases when the owner-manager does not see growth as a goal, or the market potential for the firm's products is limited, increased provision of external human capital is not going to change much (Davidsson, 1991).

To take about human capital, small firms need employees who bring more than their diligence and expertise. Employees also bring their imagination and passion (Hamel, 2009). Dr. Hamel describes external systemic forces influencing and sometimes driving changes in leadership practices. The most important is the development of trust and confidence. If an small firm does not learn how to provide trust and confidence from the owner-manager, then that firm will never become the most effective at developing and deploying human capital and fail. Any small firm without systemic truth and confidence will loose.

The value of human capital, as Prahalad says, is in building "the capacity to work together toward common tasks on a programmatic basis." That is also the most productive focus for organizational learning (Rawlinson, McFarland and Post, 2008).

Conclusion

Future shock is the shattering stress and disorientation that we induce in individuals by subjecting them to too much change in too short a time.
Alvin Toffler

These times of economic chaos qualify as a future shock moment, and call for measures to help the people to obtain a decent life and a sustainable standard of living. And push the small firms to grow up and generate new jobs is not an academic matter. It is a vital question.

But change the style of the owner-manager is another shock, or crisis inself. It is necessary to make very special stimolous to that change joining polices to promote development of small firms. Whom and how are urgent questions to answer. Academia has a hard work in this field.

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