

APPROACHES TO KNOWLEDGE TRANSFER BETWEEN INNOVATIVE ORGANIZATIONS TO INCREASE COMPETITIVENESS AND SUSTAINABLE DEVELOPMENT

**Andrei Constantin TÎRNOVANU ^{a*}, Marian NĂSTASE ^b, Julia-Anamaria ȘIȘU ^c,
Narcis RĂDUCAN ^d**

^{a, b, c} Bucharest University of Economic Studies, Romania

^d National University of Physical Education and Sports of Bucharest, Romania

ABSTRACT

Knowledge must be introduced into every aspect of the manufacturing process and management levels in order to increase the competitiveness of SMEs. This study aims to investigate how knowledge transfer affects a firm's ability to remain competitive. Effective resource flow management is essential for businesses to thrive in a cutthroat business climate. Despite the nature of knowledge being transferred, it is critical to the effective operation of SMEs. The fact that it can give organizations a competitive edge over a range of skills and knowledge lends trust to this assertion, as it can improve the innovative performance of new products made by companies involved in these kinds of knowledge-based collaborations. The purpose of this paper is to shed light on knowledge transfer and innovation in SME activities. By lowering the expense of acquiring the knowledge necessary to become competitive, SMEs can encourage the chance and incentive to exchange expertise during integration into clusters. Higher education institutions may be more proactive in helping SMEs manage environmental challenges by giving them relevant information and knowledge hubs to increase the competitiveness and sustainability of businesses. Moreover, policymakers and investors should prioritize supporting and financing R&D as well as social networking initiatives to enhance innovation among SMEs.

KEYWORDS: *competitiveness, innovation, knowledge transfer, SMEs.*

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1. INTRODUCTION

The business environment has changed quickly in the knowledge-based economy era. In order to remain competitive, a business during this era must innovate. Resources for knowledge are necessary for innovation, and knowledge transfer is crucial to the creation of new knowledge that may be applied to strengthen innovative capacities. On the other hand, knowledge transfer can be thought of as something that can occur immediately. Nevertheless, due to the stickiness of knowledge, it is seen to be a complicated process. In these turbulent times, competitiveness becomes more and more important for survival and success. Numerous studies have characterized competitiveness as a multifaceted and relative notion.

* Corresponding author. E-mail address: tirnovanuandrei17@stud.ase.ro.

Companies always face issues like cost reduction, evolving consumer behavior, better customer service, mature markets, and globalization in today's chaotic and uncertain marketplace. According to Drucker (2012), knowledge is the most important economic resource for gaining a competitive advantage. The minds of the business's suppliers, workers, and consumers have this collective knowledge, which is more valuable than the conventional production inputs and ensures a stable growth for the company.

Under the premise that innovation is the most knowledge-intensive business process, Subramaniam and Youndt (2005) assert that a firm's capacity for innovation is largely dependent on its intellectual resources and knowledge utilization capabilities.

It is believed that SMEs are essential to social and economic growth; this contribution may be seen in the form of mandated trade balances, revenue generation, and job creation. But unless an organization can function in a competitive manner, it will not be able to accomplish these objectives. Businesses must distinguish between their potential and capabilities in order to function competitively.

Zheng et al. (2011) conducted an empirical study which verified the existence of a noteworthy and affirmative association between company innovation and knowledge-based dynamic capacities in 218 manufacturing enterprises located in networked environments in China. Additionally, the research of Montoro-Sánchez et al. (2011) offers actual proof that knowledge spillovers have a favorable impact on businesses capacity for innovation and teamwork.

With SMEs as its primary focus, this study addresses the topic of knowledge transfer. This research also seeks to understand the impact of knowledge transfer on a firm's capacity to remain competitive. The efficient operation of SMEs depends on the transfer of knowledge, regardless of its nature.

2. KNOWLEDGE TRANSFER

Knowledge transfer is a process that involves more than just sharing information through straightforward communication. In order to produce value, it must be effectively absorbed or give rise to the ability to use it (Argote & Ingram, 2000).

In this chapter, the paper will address the following topics: the literature review of knowledge transfer, the importance of the relationship between innovation and knowledge transfer, knowledge absorption, competitiveness and sustainability among SMEs.

2.1 Knowledge transfer – literature review

Knowledge transfer is the process of information moving from one person or organization to another via one or more channels. According to Tassabehji et al. (2019), it also refers to activities that involve sharing knowledge and experiences about the workplace.

Knowledge transfer is the process by which an organization replicates and upholds a sophisticated, vaguely causal set of practices in a different context (Szulanski, 2000). A particular aspect of learning is knowledge transfer, which involves obtaining information (Garvin, 1993).

Both explicit and tacit information sharing are involved in knowledge transfer (Cerchione et al., 2015). Tacit knowledge is the application of intuition to identify problems, whereas explicit knowledge is any type of experience that is documented and may be preserved through documentations for future reference (Ibidunni et al., 2018). Knowledge transfer is essential to the efficient running of SMEs, regardless of the kind of knowledge involved in an international business connection. This claim is supported by the fact that it can provide organizations a competitive edge over a variety of skills and knowledge, which enhances the innovative

performance of new products made by businesses engaged in these kinds of knowledge-based partnerships.

There are six steps in the transfer of knowledge: analysis, encoding, discussion, distribution, absorption, and impact. Four classifications make up a knowledge transfer framework: sender, learner collection, approach, and accomplices (Wang et al., 2019).

Organizational learning is transferred or exchanged during knowledge transfer in order to accomplish predefined goals (Hassan et al., 2017). More broadly, it includes staff members' readiness to communicate with others (provide knowledge) and to absorb information from them (gather knowledge) (Ibidunni et al., 2018).

2.2 The relationship between innovation and knowledge transfer

Despite knowledge transfer was once only considered relevant to individual psychology, it has since gained importance in the literature on organizational theory and strategic management, primarily due to the fact that innovation depends on it (Weidenfeld et al., 2010).

The process of generating new ideas and turning them into products and services that have an economic value is known as innovation. Innovations in the context of business practices ultimately aim to meet client expectations in novel ways. As stated by Jackson et al. (2013), it is a strategic organizational tool that helps businesses manage change and create new market breakthroughs.

According to Shinnar et al. (2018), innovation plays a crucial role in achieving growth and competitiveness goals for all sizes of organizations. The majority of firms view innovation as a crucial component that can boost their earnings and market share (Shujahat et al., 2019).

SMEs can achieve innovation performance by leveraging knowledge transfer agreements with their business partners, suggest Corral de Zubielqui et al. (2015). Opportunities for expand into new markets, concepts, and inventions are presented by innovation.

2.3 Knowledge absorption

The amount of fresh information acquired from the environment and applied to successful inventions depends in large part on a company's capacity for absorption. The innovation process, in general, and particularly in the setting of a changing knowledge environment, greatly benefits from external sources of knowledge. Businesses are forced to focus on reconfiguring every aspect of their current knowledge base in such a situation.

In accordance with Audretsch et al. (1999), the majority of the knowledge that SMEs gain is gathered from other businesses, including suppliers, competitors, coworkers, and clients. SMEs use the knowledge infrastructure to acquire knowledge, but only to a limited extent. Additionally, the study reveals that the majority of entrepreneurs learn things in a small area surrounding their businesses.

The requirement for various kinds of knowledge and the structure of a knowledge connection or knowledge transfer are related, as demonstrated by Van Den Bosch et al. (2003). Additionally, they emphasize the connection between the innovation processes, the requirement for certain types of information, and knowledge linkages.

2.4 Competitiveness and sustainability

The ability of a business to create, manufacture, and/or distribute products that are better than those of rivals, taking into account both price and non-price factors, is known as firm level competitiveness (D'Cruz, 1993).

According to the Horne et al. (1992) framework, a small firm's ability to remain competitive should be determined by its ability to act as a representative example of entrepreneurship, its degree of access to capital resources, and its ability to grow or take action in the business environment.

Sustainability is a measure that characterizes an organization's capacity to respond and adapt in a dynamic competitive environment while maintaining or enhancing its competitive position in the perspective of its customers and shareholders. As long as this potential is high, competitive advantage can only be maintained (Zonooz et al., 2011).

3. SMEs, INNOVATION AND KNOWLEDGE TRANSFER

Proposals for a shift to a global economy that functions within the natural environment's carrying capacity have arisen as a result of environmental challenges related to demographic and technological changes. Small and medium-sized enterprises (SMEs) must be included in this shift due to their importance to economic activity.

In the opinion of Tidd and Bessant (2020), in order to ensure sustainability and competitiveness, both major businesses and SMEs must exhibit an entrepreneurial spirit through their innovative efforts. According to Johannessen et al. (2001), innovation serves as a means and a means of sustaining a company's competitiveness and is essential to economic success (Nonaka et al., 1996). From an operational standpoint, SMEs cannot be viewed as little more than scaled-down equivalents of larger companies. In the work of Côté et al. (2006), there have been several attempts to define terms like "business sustainability" and to develop frameworks and guiding principles to help with their application. Nonetheless, a significant portion of this advice has been tailored to the requirements of big businesses rather than taking into account elements that are specific to SMEs.

A fresh strategy is required to enable a more fundamental shift to resource-efficient economies. The ability of SMEs to innovate around the idea of business sustainability will ultimately lead to the applications of new knowledge being adopted and applied by them, hence it is necessary to identify the unique drivers and motivators inside SMEs (Parrilli et al., 2010; Varis & Littunen, 2010).

Large companies certainly have access to resources, but SMEs have flexibility and adaptability, which gives them an advantage over larger businesses. According to studies by Studer et al. (2006) and Borga et al. (2009), SMEs can exhibit more behavioral agility and responsiveness to information shifts that they perceive as beneficial and essential to preserving their advantage over competitors.

The majority of research on innovation focuses on large enterprises. In the opinion of McAdam et al. (2010), they are thought to have the organizational strength, financial resources, technological know-how, and supply chain clout necessary to propel major innovation in environmental goods and services.

SMEs are divided into two categories: stable and innovative, based on internal learning processes and signs of significant changes (new goods or processes, for example). Most stable small and medium-sized enterprises (SMEs) prioritize experiential learning and firsthand experience. Zhang et al. (2006) have found that this is a consequence of small and medium-sized enterprises operating in established industries with management structures that do not promote information seeking or knowledge exchange.

Stable SMEs typically have trouble adjusting to changes in their environment. On the other hand, innovative SMEs—who are now introducing new goods, procedures, and connections—learn mostly through interactive or informative channels. Knowledge or information can be relatively easily retrieved and codified as it is acquired. Furthermore, most knowledge is implicit and acquired through frequent in-person interactions with others (Zhang et al., 2006).

SMEs with greater adaptability to change will be more likely to innovate (Parrilli et al., 2010). An organization's "absorptive capacity" refers to its ability to take in and use fresh or externally given knowledge. A business's ability to absorb information can be classified into four groups, according to an examination of the literature on innovation management: ignorance of important issues,

awareness of important issues, knowledge and comprehension of important issues and solutions, and implementation of important issues and solutions (Sparrow et al., 2009).

The process of sharing explicit or tacit knowledge to create new knowledge is known as knowledge transfer (Van Den Hooff & De Ridder, 2004). The ability to produce something novel with the goal of establishing and preserving sustainable competitiveness is the operational definition of innovation capability (Johannessen et al., 2001).

Hansen et al. (2002) propose, based on analyses of particular environmental adoption processes, that knowledge transfer is influenced by a "dynamic triangle" framework that comprises: network relations, which refers to the degree of competency found within the SME's network regarding knowledge about solutions to issue of concern; internal competencies, which refers to the SMEs' capacity to adapt to new ideas and approaches; and strategic orientation, which measures the value of environmental issues within the external network as perceived by the SMEs.

It is possible to generalize about knowledge transfer within SMEs based on three pillars (McAdam et al., 2010): strong connections with external knowledge sources (both explicit and implicit); an external culture that encourages innovation; and an internal culture that can incorporate and adapt to novel concepts.

An essential component of a company's performance is the process of knowledge transfer (Argote & Ingram, 2000, Rodgers et al., 2017). It is known as knowledge transfer when knowledge is transferred from one location, person, or ownership to another (Liyanage et al., 2009). As stated by Argote and Ingram (2000), knowledge transfer in an organization is more accurately defined as the process by which the experience of one unit—such as a person, group, department, or division—affects another. Researchers look for ways to help companies transfer knowledge more effectively (Rodgers et al., 2017). Knowledge transfer is successful when recipients assimilate and accumulate new information (Liyanage et al., 2009).

4. DISCUSSIONS

The effectiveness of SMEs' new product innovation will be demonstrated by how well they apply the knowledge of their foreign business partners to generate innovative ideas and develop into a nation that produces goods, services, and business procedures of greater quality.

Businesses innovate in a variety of areas, such as managerial processes, service delivery protocols, manufacturing designs, goods and services, and organizational structure design (Omodafe & Nwaizugbo, 2017).

Yet, innovation is typically linked to production in order to fulfill new customer expectations. Innovation is essential to any organization's growth and competitiveness goals when it comes to processes that improve procedural efficiency and effectiveness. Furthermore, according to Shujahat et al. (2019), the majority of firms view innovation as a crucial component of growing their profit and market share.

Innovation creates opportunities to enter new markets and develop new ideas and inventions. SMEs can achieve innovation performance by leveraging knowledge transfer agreements with their business partners, suggest Corral de Zubielqui et al. (2015).

Therefore, any action to facilitate this kind of knowledge transfer needs to concentrate on strengthening SMEs' absorptive capacity and their capability to comprehend and subsequently adjust their operating norms and underlying assumptions. This in turn makes it easier for new information to be successfully transferred inside the SME. This relationship between learning dynamics, absorptive ability, and successful knowledge transfer results in positive reinforcement and starts a positive feedback loop that increases capacity for accepting innovation.

Higher education institutions may also be more proactive in helping SMEs manage environmental challenges by giving them relevant information and knowledge hubs to increase the competitiveness and sustainability of businesses. Practically speaking, the SME sector faces a special difficulty in bringing about transformation and improving resource efficiency.

5. CONCLUSIONS

The purpose of this article is to shed light on innovation and knowledge transfer within SME operations. Since businesses may now acquire information at a lower cost in order to remain competitive, SMEs can encourage the opportunity and drive to exchange knowledge via cluster integration. There are new opportunities for improved performance of enterprises in a competitive environment when diverse small and medium-sized businesses across industries are studied to gauge competitiveness and to evaluate the amount and quality of various knowledge transfer-related elements.

Through information sharing within the establishment of industrial clusters, numerous SMEs across various industries have so far been successful in competition both locally and globally. The government can also put various measures into place to aid SMES in acquiring knowledge.

Furthermore, the owners of SMEs should make an effort to create social networks with their partners in order to share knowledge and the latest technologies on market. One of the advantages of these international social networks would be the ability to innovate in terms of price, such as by obtaining products at a reduced cost.

In order to stay abreast of market advancements and evolving consumer trends and to enable them to innovate based on patterns they have observed, SMEs owners ought to raise their R&D efforts. Policymakers and investors should prioritize supporting and financing research and development as well as social networking initiatives to enhance innovation among SMEs.

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