

# Innovation: a Proposal by the Knowledge Management for SMEs

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**Abstract.** This article is related to knowledge management and its action as a source of innovation within SMEs. It begins with the relationship between knowledge management and innovation, then describes the methodology and finally highlights internal and external aspects that present the SMEs in the innovation process.

**Keywords:** Knowledge Management, Innovation, SMEs, Methodology.

## 1. Introduction

Knowledge management is dynamic and diverse skills that advance the human capital of an organization to be more competitive. Innovation as a social phenomenon has begun to gain importance within SMEs and could not release the knowledge management as a mechanism for discovering, sharing and valuing the knowledge society at the service of solving problems of national competitiveness.

It is necessary to develop business actors: long-term vision, more knowledge on matters of finance and venture capital, ownership of the concept of innovation, development of human talent for change, knowledge management and coordination between organizations and their users, and overall credibility of the benefits and utility that undertakes processes of research, development and innovation.

## 2. Process Innovation for SMEs

The innovation process can be specified in five phases according to Fig. 1:



Fig. 1: Process Innovation for SMEs. Source: [1]

- Development of Ideas: Innovation is designed in the belief that anything is possible. Innovators do not accept the way things are done. They use their imagination to make the impossible possible.
- Research: A bright idea may sound at first, but it's a long way with a lot of inspiration to reach a final product. Suppose that someone else has tried this idea.
- Plan: No idea can work without a plan. This is where the innovation goes through the process from idea to reality. Diagrams, models or prototypes can bring an idea to reality.
- Try: Trial and error is the true test of an idea. Regularly innovation can't exist without mistakes. That does not mean they are bad ideas, but shows improvements needed.
- Marketing: The innovator must show others because they have to want or have such an innovation.

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### 3. External aspects of SMEs Innovation

One of the most cited models for strategic analysis of the external environment is that of Porter. It is based on the analysis of five forces: the degree of rivalry among competitors, the bargaining power of customers, the bargaining power of suppliers, entry barriers typical of the sector concerned and the likelihood of substitutes [2]. From the analysis of this model, companies can determine the relative degree of power they can exert on the market. Porter also indicates that firms tend to choose strategic positions aimed either at cost or differentiation. The differentiation may include various aspects such as quality, service, or customization of products or services.

Innovation can be caused by suppliers. In this case usually what we see is that the provider will develop some type of procedure that improves the production process of the client company or a component which improves the final product. In any case, the incentive to generate such innovation and offer the client company is often the flow of purchases to ensure that the supplier can hope to ensure their customers in the future.

### 4. Methodology

The proposed methodology for this process of innovation is through the articulation of knowledge management processes and communication strategies, that through the development of workshops, events, lectures, conferences and virtual and exchange of experiences, the beneficiaries identified actors and key institutions that are part of the process of it, learn from the experiences, successes and failures of the other participants. Fig. 2 shows the methodology used with each of the actions developed.

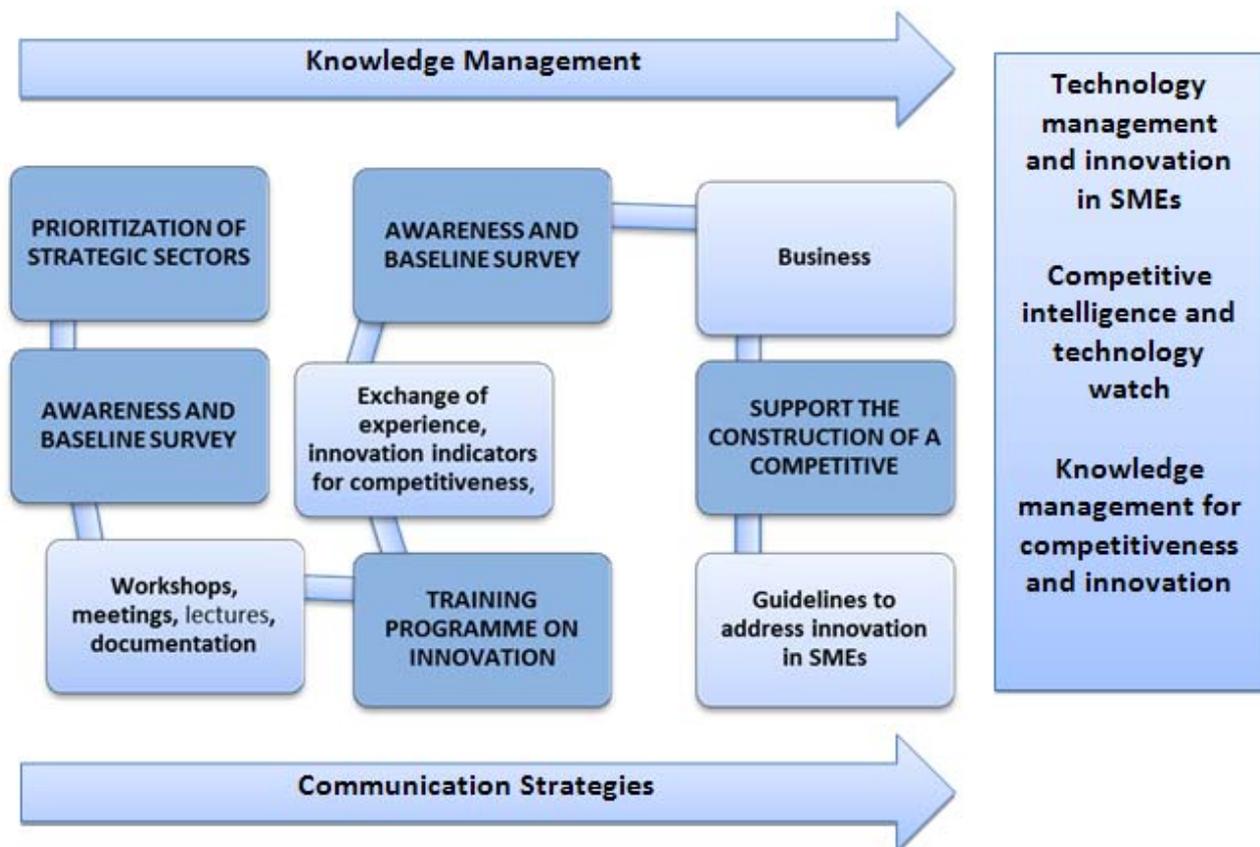


Fig. 2: Proposed methodology. Source: Authors

### 5. Internal aspects of SMEs Innovation

It is important to establish the foundations of an innovative company, based in the areas of leadership, culture, processes and organizational structures, people and learning.



Fig. 3: Foundations of Innovative Enterprise. Source: [3].

**Leadership:** A leader knows the internal mechanisms that will help mobilize the different components of the organization. First, the leader must establish the basic conditions to generate innovation. The leader must know how to establish clear goals and communicate them properly. In relation to the management of innovation, a good leader will know promote it at the right times and know how to distinguish what types of innovation are needed. Furthermore, the management of innovation presupposes some kind of organizational change associated with the order that it be implemented successfully. This organizational change and development of new organizational routines to exploit innovations must also be supported by the leader.

**Culture:** The SMEs with innovative cultures tend to strengthen, encourage and recognize innovative behavior of members of the organization. In turn, their innovative activities tend to reinforce a culture of innovation. The incentives used to motivate employees may also become elements that facilitate or, conversely, prevent the move towards a culture of innovation.

**The People:** It is important that people who have a working knowledge involved in innovation projects. Practical knowledge can be both clients to whom it is directed that innovation and the products, technologies, services or processes which are innovating.

**Organizational Structure and Process Partners:** The planar structures are often more appropriate to build and develop innovative processes. Flat structures, less hierarchical, grant greater freedom of action and decision-making precisely such persons. Innovative companies have processes for selecting, training, compensation and promotion that facilitate innovative activities that promote learning and taking risks necessary to generate innovation.

## 6. Innovation and Knowledge Management

The management of innovation is essential in the competitiveness of SMEs. Its scope is the company most immediate, adequate space to recreate and use the various approaches associated with this concept. Shares in the company significantly impacting the regional situation, which is where you conceives the notion of competitiveness. According to [4], "the term of innovation comes from the Latin innovatio-onis, action and effect to innovate, to accept an innovation synonymous with novelty. Innovate, Latin innovare mean change or alter things by introducing new features. Innovating from the Latin novus, introduce something new to replace any older. Innovation is providing new resources with ability to produce wealth. Any change in the production potential of existing wealth, which is also an innovation. Innovation need not be purely technical, not even one thing. Innovation is the effective incorporation of knowledge to companies, making new products, new processes and new forms of organization. For some people it is innovation within

firms and not necessarily based on scientific and technological knowledge legitimized. It also builds on learning and tacit knowledge of nature".

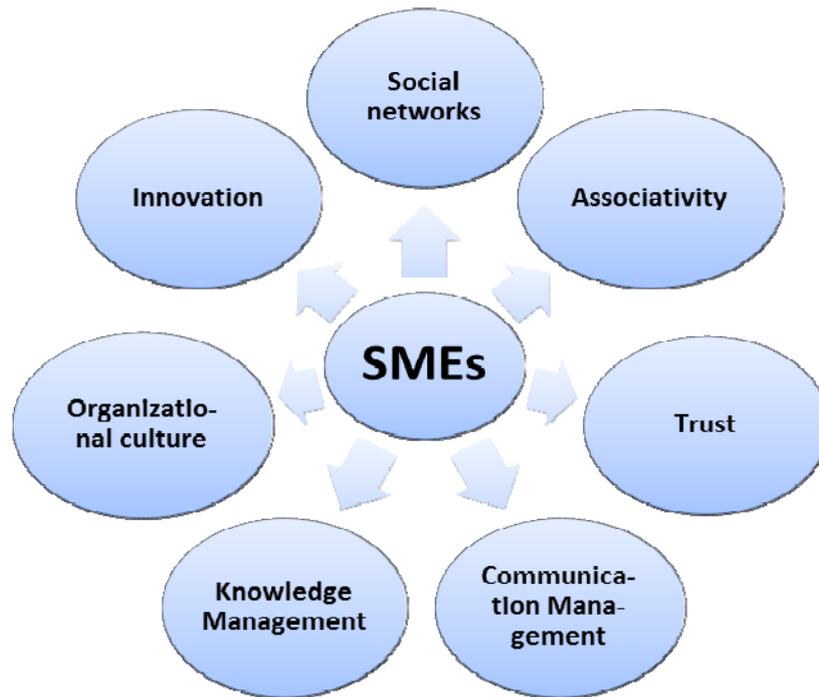


Fig. 4: Knowledge management for innovation. Source: Authors.

**Social networks:** Social networks are social structures composed of groups of people, which are connected by one or more types of relationships such as friendship, kinship, common interests or shared knowledge.

**Associativity:** A strategy to address global markets and strong competition from other countries.

**Trust:** It's positive opinion that a person or group will be able and willing to act appropriately in a given situation and thoughts. The confidence will be enhanced more or less depending on the actions, the preliminaries and any evidence found.

**Communication Management:** Reduce the possibility of uncontrolled flows of information, thus reducing to a large extent the risk of conflict.

**Knowledge Management:** Transferring knowledge from the place where it is generated to the place where it's going to be used [5], and involves the development of skills needed within organizations to share and use among its members, and to value it and assimilate it if you are on the outside of these.

**Organizational Culture:** The set of rules, habits and values practiced by individuals in an organization, and that makes this form of behavior.

**Innovation:** The process in which from an idea, invention or recognition of a need to develop a product, technology or service that is commercially useful to accepted [6].

## 7. Conclusions

The great object of knowledge processes is innovation. The idea of innovation as fundamental to economic development is not new. What is new is the idea that innovation does not happen accidentally, at long intervals, but that is something we are looking at will and is scheduled to deliver on an ongoing basis. It is a capability that provides a sustainable competitive advantage to a company.

Innovation is not an individual process but a collective, as only the organization is able to materialize their results. Not a problem geniuses, but good teams. Above all, innovation has to generate value for the customer and the company: the good ideas that do not generate high value may reflect creativity, but they are not innovations.

Companies with best practices in innovation have better financial results and ensure a greater contribution of innovative products to its profits.

Communication is the key to achieving effective mechanisms that allow the management of knowledge between the actors involved in the generation of innovation.

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