Chapter 16
Understanding the Behavior of Knowledge Management Pathways: The Case of Small Manufacturers of Footwear in Peru and Brazil

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EXECUTIVE SUMMARY

Within small-size firms, it is too difficult to understand how the process of knowledge transfer happens. It is through a close observation of their mind-set and ethos that it is possible to construct a conceptual map of their transfer of knowledge processes. Within the present case; the relations among footwear manufacturers enabled the generation and sharing of knowledge. Thus, this chapter seeks to introduce the behavior of knowledge management and its source by studying the social behavior of micro-entrepreneurs from Peru and Brazil that create relationships, practice communities and other forms of knowledge sharing. Best knowledge-based practices emerged from the adaptation and imitation from others. Three ways were recognized: distance-to-market; distance-to-consumer, and inner circle. And, three ways of social memory creation within the core of the small-firms were observed: memory of product, market report and social memory.

BACKGROUND

In Peru, two sectors were born, around 1990s, after strong pressures from government and the globalization process. In Brazil, on the other hand, from the 1980s there were several clusters of the footwear industry. Small size organizations in both countries have long history. The study of PROEXPANSION (2006) and the article of Schmitz (1995) provided detailed history of the footwear industry. Clusters were formed for the aim of enhancing commercial opportunities.
or taking advantage of geographical location. The development of small business activities next to other related business bring benefits for managerial approaches, production flows, provides guaranty access to local market, and enables micro-businesses to be outsourcers for bigger firms. But, this fact does not guarantee access to technical and technological advances or innovation. The role of the knowledge within these organizations (cluster) would be invisible, because the best practices are conducted by the same people in the organization all the time; and learning from outsiders, e.g., know-how from external producers, is lost.

To understand the micro-firms’ behavior it is important to live with the managers in their daily activities. It is through a close observation of their mind-set and ethos that it is possible to construct a conceptual map of their transfer of knowledge processes. It is, the kind of innovation that is a mix of environment and an adaptive process; where it is most important to evolve by relationships and knowledge from others than innovate goods or services. This was shown by a group of footwear small-manufacturers from Peru and Brazil; whose environment pertains to a turbulent ambient of social pressures; including political and competitive factors.

The ethos represent a set of religion, language, habits and other predominant characteristics from the population is intended to shape organizational practices within the firms and furthermore for the understanding of the behavior of entrepreneurs.

Peruvian firms encourage the social integration with other firms looking for market integration or learning about best-practices. In this way, Peruvian firms recruit their workforce for short time (one or two days) only to complete a batch or aiming to help jobless people. On the other hand, firms act as customers as well as vendors; producers are customers of other producers. The result is an empathy with customers and consumers. That is reflected in innovative products and processes to market features and demands.

The Brazilian mind-set, on the other hand, tends to enhance the sales by taking the better practices, and looking to the market. The focus is on the buyer and the fashion. Thus, it is important to understand the own ethos in order to sell in Brazil. The complexity in recruiting the labor is bigger. And the market is globally consolidated. In this way, the small manufacturers need to dislocate themselves in order to attend a market dispersed geographically.

In order to understand the generation and sharing of knowledge in the small footwear firms of the two countries, five independent micro-firms, from each country, were assessed. In order to understand the role of, through their organization forms and their behavior.

The difference is motivation moved small-manufacturers to join, or not to join, others. Like in the biology, microorganisms (or small-firms) form colonies or populate bigger organisms to be representative in their search for survival. All small businesses need to learn, modify, adapt and, finally, innovate, in the search for the next evolution. This process entails a difficult pathway to generate an innovative and creative process through survival and/or taking advantage of opportunities. By this way they are called to compound a bigger system; because the efforts of a big mass of small-firms generate welfare and enable other companies to understand the mind-set of customers and consumers.

In order to integrate culture and entrepreneurial features, it is essential for small businesses to consider social chains. As innovation inside small firms is limited by tightness of funds for research projects, so, producers and vendors shape strategic alliances among themselves.

The objective of this chapter is to examine the cultural and social behavior of knowledge within the independent small-manufacturers in their search for new markets or in explaining the mindset of the costumer and consumer. It seeks to show how the self-organization of an innovation force helps to create alternative process to recruit
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