Knowing what Social Enterprises know

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Abstract

Social Enterprises (SEs) are normally micro and small businesses that trade to tackle social problems, and to improve communities, people’s life chances, and the environment. Thus, their importance to society and economies is increasing. However, there is still a need for more understanding of how these organisations operate, perform, innovate and scale-up. Obtaining this understanding is the main driver of this paper, which explores the SE activities to manage their knowledge. Interviews from 21 owners and senior members of SEs in UK confirmed that SEs possessed valuable tacit and explicit knowledge about their organisation, practices, experiences and work with communities and customers. This knowledge is managed informally and, when acquired, is not always converted into usable knowledge, applied to create value, and protected from inappropriate or illegal use. Thus, SEs need to know what they know and manage effectively that knowledge. This can help them to acquire, convert, apply and protect all their knowledge that would result in added value to their organisation and stakeholders, legitimised their practice, adjusted and defined their operational and strategic direction, and informed the measurement of their social impact. This paper contributes to SE and Knowledge Management researchers, SE practitioners and organisations supporting SEs.

1. Introduction

Social Enterprises (SEs) are businesses that trade to tackle social problems, and to improve communities, people’s life chances, and the environment (Social Enterprise UK, 2013). The impact of these organisations has significantly increased in recent years, with 70,000 SEs in the UK contributing at least £18.5 billion to the UK economy and employing almost a million people (BMG Research, 2013), with 38% of SEs concentrated in the most deprived communities (Villeneuve-Smith and Chung, 2013). Consequently, these organisations are attracting the attention of governments and private organisations alike, as a response to mitigate current failures in the public, private and non-profit sectors. However, there is still a lack of empirical knowledge about how these organisations operate, perform, innovate and scale up (Haugh, 2005; Peattie and Morley, 2008; Robinson et al., 2009; Shah, 2009; Muñoz, 2010). This results in an increasing need for more research and empirical evidence that describe and explain the idiosyncratic characteristics of SEs, and explore different strategies to maximise their social and environmental impact.

The strategy we are exploring in this research is the development of Knowledge Management Capabilities (KMCs) that will allow SEs to know what they know and manage this knowledge. This strategy is based on the understanding that, under the growing pressures of complexity and globalisation, enterprises that effectively capture organisational knowledge and distribute within their operations, production and services, have a strategic advantage over their competitors (Kogut and
Zander, 1992; Quinn, 1992; Drucker, 1995). Developing adequate capabilities to manage knowledge is therefore important and has resulted in considerable empirical and theoretical research studying how organisations can develop KMCs to obtain positive outcomes (Leonard-Barton, 1995; Gold et al., 2001; Lee and Choi, 2003; Mills and Smith, 2011). This research has been mainly undertaken within large, for-profit organisations, where resources and competitive conditions can trigger the use of Knowledge Management (KM). However, we concur with other researchers that there are additional sectors and organisational types, or sizes, that could also develop these capabilities and improve their organisational outcomes, such as small businesses, Social Economy enterprises, and more specifically SEs (Ruiz-Mercader et al., 2006; Hume and Hume, 2008).

In order to obtain more theoretical and empirical understanding of how SEs can develop KMCs, this paper explores what SEs currently know and the activities followed to manage that knowledge. Four knowledge activities are explored, acquisition, conversion, application and protection, with a qualitative study consisting of 21 interviews to owners and senior members of SEs in UK.

Our paper starts with a brief conceptual background of SEs and KMCs. Furthermore, we explain and justify the methodology, followed by a presentation of findings and discussion. In the last section, we present the conclusions, implications and limitations of our study and provide suggestions that can be used as a basis for future research in the area of SEs and KM.

2. Conceptual background

This section contains the theoretical underpinning of the two concepts studied in this research, SEs and KMCs, highlighting their significant research gaps. This is followed by a discussion of Knowledge-process Capabilities.

2.1 Social Enterprises

Although Social Enterprise is becoming an emerging field of interest for both academics and practitioners (Granados et al., 2011), SEs contributors agreed that they remain an under-researched phenomenon (Haugh, 2005; Peattie and Morley, 2008; Robinson et al., 2009; Shah, 2009; Muñoz, 2010). Studies on their organisational characteristics, as well as government surveys, agreed that SEs have a multi-bottom line, being related to social, environmental and economic goals, a multi-stakeholder dimension, and a broader financial perspective to focus on sustainability (Doherty et al., 2009; Leahy and Villeneuve-Smith, 2009; Villeneuve-Smith, 2011).

Apart from these particular characteristics, it can be argued that a SE operates as a normal organisation that transforms inputs into outputs through production of goods or services (Doherty et al., 2009; Leahy and Villeneuve-Smith, 2009; Villeneuve-Smith, 2011). This transformation may involve innovation processes that would give the enterprise a comparable and competitive advantage over public and private sector organisations, and thus create social and environmental values. Moreover, as Mason et al. (2007) suggested, the ultimate purpose of SEs is long-term sustainability that would guarantee the dominance of their social and environmental value. This demonstrates that SEs might obtain the required sustainability and comparable advantage through the development of certain capabilities, such as KMCs, just as their counterparts in the private, public and Social Economy sectors are doing.

Even though there is a paucity of research regarding the impact of such capabilities in the context of SEs as well as their knowledge management (KM) practices (Granados et al., 2011), SE contributors have suggested that the SE sector is challenged by competition and a performance driven environment. Thus, it is necessary to provide more business support, business skills and sustainability tools for SEs (Paton, 2003; Bull, 2007; Doherty et al., 2009). Moreover, it has been argued that SEs follow a strong knowledge and experience-sharing philosophy (Horst, 2008) that plays an important role in developing KMCs in other economic sectors.

All these considerations validate the importance of researching SEs from the Knowledge-based View (KBV) theory, investigating how KMCs can be developed within their idiosyncratic characteristics, the impact of this development, and its practical application.
2.2 Knowledge Management Capabilities

Knowledge is considered a source of competitive and sustainable advantages in organisations (Drucker, 1991; Kogut and Zander, 1992; Quinn, 1992; Sveiby, 1997; Grover and Davenport, 2001); and as a resource, possesses intangible and unique characteristics. However, it has been argued that resources on their own are not productive, they require the cooperation and coordination of teams of resources (Grant, 1991). Thus, the capacity for a collection of resources to perform some task or activity is considered a capability that can result in competitive and sustainable advantages for the firm (Grant, 1991; Grant, 1996b; Spender, 1996; Sveiby, 2001). Moreover, by controlling and managing these capabilities, the organisation can improve efficiency and effectiveness (Barney, 1991). In that sense, knowledge could become the primary source of competitive and sustainable advantage for a company, and KM would support the aggregation of resources into capabilities.

The study of KMCs has been considered and explained mainly by the Knowledge-based View (KBV) theory (Grant, 1991; Grant, 1996b; Grant, 1996a; Grant, 1997; Eisenhardt and Santos, 2002). Contributors have proposed important conceptual and theoretical foundations that helped the development and maturity of the theory, and explain, in some ways, its important standing in economies (Leonard-Barton, 1992; Nonaka and Takeuchi, 1995; Davenport and Prusak, 1998; Grover and Davenport, 2001). The empirical evidence offered in the literature for KMCs development is, mostly, in large and profitable firms, with clear organisational components that articulate the development of organisational knowledge capabilities (Gold et al., 2001; Lee and Choi, 2003; Liang et al., 2007; Nguyen et al., 2009; Zheng et al., 2010; Mills and Smith, 2011). However, a difficulty remains in translating these theoretical and conceptual propositions into empirical scenarios. A possible reason for this is because organisations may differ in objectives, sectors, sizes and missions. Thus, it is difficult to unify these models for improving the management of knowledge, quantifying the benefits, and measuring KM performance. Therefore, there is a need for more research and empirical evidence on the elements that can develop KMCs within different organisational scales and structures, such as small and Social Economy enterprises, as well as the possible outcomes of this development. This knowledge can help to create different areas of study and application in the practice of KM and KMC, and propose alternative strategies to improve a SE’s performance and impact.

Regarding the elements that develop KMCs, various KM practitioners and academics have concurred that, in order to develop KMCs, it is necessary to have not only KM techniques, mechanisms or processes to manage knowledge in an organisation, but also certain social, cultural and historical context, which are important for individuals to interpret information and to create meanings (Leonard-Barton, 1995; Grant, 1997; Davenport and Prusak, 1998; Nonaka et al., 2000a; Nonaka et al., 2000b; Gold et al., 2001; Lee and Choi, 2003). This has been being interpreted by KMC researchers as the process capabilities (the activities that create and integrate knowledge) and the organisational capabilities (the organisational conditions where information is interpreted to become knowledge), which together can develop KMCs (Leonard-Barton, 1995; Gold et al., 2001; Ndlela and du Toit, 2001; Lee and Lee, 2007). In order to explore further the knowledge practices undertaken by SEs and study how social enterprises can know what they know, this paper will focus on the knowledge-process capabilities in SEs.

2.3 Knowledge-process capability (KPC)

This capability represents the knowledge activities within the organisation that leverage organisational capabilities. This capability should be present in order to store, transform and transport knowledge in an efficient manner throughout the organisation (Gold et al., 2001). The classification of activities explored in our research followed the one proposed by Gold et al. (2001). These are the activities associated with the creation and integration of knowledge according to the KBV theory (Kogut and Zander, 1992; Nonaka, 1994; Grant, 1996b; Grant, 1996a). The activities are:

- **Acquisition:** Knowledge acquisition is the process orientated towards obtaining knowledge by developing new content and replacing existing content within the organisation’s tacit and explicit knowledge base (Pentland, 1995; Nonaka et al., 2000b; Gold et al., 2001). This process opens new productive opportunities, enhances the firm’s ability to exploit these opportunities, reduces uncertainty, and encourages process or product innovations (Pentland, 1995; Nonaka et al., 2000b; Gold et al., 2001; Yli-Renko et al., 2001).
Conversion: Knowledge conversion activities are those orientated towards making existing knowledge useful (Gold et al., 2001). The knowledge that was captured from various sources, both internal and external, requires to be converted into organisational knowledge for its effective use by the firm (Lee and Suh, 2003). Thus, conversion results in the distribution of knowledge by turning isolated knowledge or experiences into knowledge that the whole enterprise can use, and in the integration of knowledge that may reside in different parts of the organisations, reducing redundancy and improving efficiency by eliminating excess work (Grant, 1996b; Gold et al., 2001).

Application: Knowledge application processes are concerned with the actual use of knowledge, which is making it more active and relevant for the organisation in creating value (Bhatt, 2001). With the purpose of creating that value, organisational knowledge needs to be used in the firm’s products and services. Thus, the role of organisations is not only creating knowledge, but integrating and applying that knowledge (Kogut and Zander, 1992; Leonard-Barton, 1992; Grant, 1996b; Spender, 1996; De Long, 1997; Sveiby, 2001; Eisenhardt and Santos, 2002; Sarin and McDermott, 2003). Application can result in the creation of new products/services, innovation, management under unexpected scenarios, improvement of efficiency, reduction of redundancy, and improvement of customer satisfaction (Grant, 1996a; Gold et al., 2001; Sarin and McDermott, 2003).

Protection: Knowledge protection activities are associated with the effective control and protection of knowledge within an organisation from inappropriate or illegal use (Gold et al., 2001; Mills and Smith, 2011). Knowledge, as a main source of competitive advantage, needs to be "rare and inimitable", thus, it needs to be protected so knowledge will not lose these important qualities (Bloodgood and Salisbury, 2001; Gold et al., 2001; Jordan and Lowe, 2004; Mills and Smith, 2011). Some of the activities concerning knowledge protection involve copyright, patents and IT systems that restrict and control access to knowledge and information (Lee and Yang, 2000). Although knowledge protection is a crucial activity for keeping the competitive advantage characteristics of knowledge, that they are rare and non-replicable, this activity has received little attention in the literature (Bloodgood and Salisbury, 2001; Jordan and Lowe, 2004).

As mentioned previously, there is a paucity of research exploring the KM practices of SEs and the potential challenges and opportunities in their implementation. However, this does not indicate that SEs are not managing their knowledge, but that they are actually managing knowledge more informally, without using KM terminology. This concurred with previous studies of KM in SMEs (Uit Beijerse, 2000; McAdam and Reid, 2001; Holm and Poulfelt, 2003; Desouza and Awazu, 2006; Hutchinson and Quintas, 2008).

3. Method

To explore the knowledge-process capabilities in SEs, our study followed a qualitative method approach. This approach seeks to understand or explain behaviour and beliefs, to identify processes, and to understand the context of people’s experiences (Hennink et al., 2011). Thus, a qualitative method helped us to illuminate complex concepts related to knowledge activities in SEs and to understand the deeper perspectives of members of SEs in regards to these activities.

The qualitative study presented in this paper follows a quantitative study undertaken by the researchers exploring the KMCs in SEs with 431 owners and senior managers of SEs (Granados, 2015). The population on that study was SEs in UK that were self-defined and were members of at least one of the listed UK SE networks. Thus, a convenience sampling approach was followed, where participants were chosen from the people identified in the previous quantitative study that were conveniently available and willing to participate further in the qualitative study. They are the most appropriate to contribute to the qualitative data set (Creswell and Plano Clark, 2011).

The interviews were conducted with 21 founders/Chief Executives/Senior Managers of SEs in UK. To maintain confidentiality and anonymity of the participants and their organisations, participants are named SE1, SE2, ..., SE21. The group was represented mostly by micro (13) and small (7) organisations, with only one medium size enterprise. In terms of legal form, the qualitative sample represent six different types, including mostly Limited Company and Community Interest Company (CIC). The age of the enterprises was relatively high, with more than half of the participants working in mature SEs with more than a four-year life-span, and six with more than ten years of existence.
These SEs undertook the wide range of social, environmental and economic activities that can be identified in the SE sector. Ranging from: consultancy enterprises, mainly supporting other SEs, to financial institutions, such as credit unions, community centres and publishers.

The topics covered in the interviews included how their SEs were managing their knowledge, what kind of knowledge they have and how they were developing knowledge-process capabilities. The phrase “Knowledge Management” was avoided during our interviews to allow interviewees to express their working practices without the use of “business stream” words that may confuse them. The four knowledge activities analysed in this study and used as probes in the interviews were Acquisition, Conversion, Application and Protection. Additional to the knowledge activities, and in order to comprehend and contextualised them, it was also important to explore the types of knowledge managed in these organisations.

The interviews were set up face-to-face at a venue convenient to the participant and where they would feel relaxed and be able to talk freely. In some cases, online synchronous interviews were conducted using the video system Skype for geographically disparate research participants. Validity was assured by building rapport, trust and openness between interviewer and interviewee, giving the participant the confidence to express the way they perceive reality. We recorded, transcribed and upload into NVivo the interview data. The data were then analysed through coding, which facilitated the assessment of predefined theoretical concepts, but at the same time permitted the study of unique issues raised by participants themselves (Grbich, 2013). These codes can refer to issues, topics, ideas and opinions that are evident in the data (Hennink et al., 2011).

4. Findings and discussion

Knowledge is situation-specific and a significant amount of knowledge is not shared but held by individuals (Leonard-Barton, 1995). Thus, organisations need processes to promote knowledge sharing, creation and utilisation. The processes studied in our research followed the Knowledge-based View (KBV) theory perspective and included Acquisition, Conversion, Application and Protection (Gold et al., 2001). Because there is a paucity of studies in the SE literature that explored how SEs are managing their knowledge, the following sections discussed the findings from our interviews supported by literature from SMEs, non-profit organisations (NPOs) and enterprises in other sectors. Before these discussions, we examined the type of knowledge managed by SEs, which helps to understand its particularities, as well as discussing how the knowledge processes within SEs are defined, and whether they are informally or formally implemented in the SE.

4.1 Types of knowledge managed by SEs

By analysing the different knowledge activities undertaken by SEs, participants described the knowledge and information that is acquired, converted, applied and protected by each enterprise. Following the Polanyi classification of knowledge (Polanyi, 1966), this knowledge and information varied from completely tacit knowledge that is kept “in our directors’ heads” (SE7) or in the “collective consciousness” (SE17), to completely explicit knowledge that is kept in shared servers and datasets. As illustrated in Table 1, participants described having considerable tacit knowledge in their SEs. This concurred with previous literature on SMEs (Osterloh and Frey, 2000; Maguire et al., 2007), which suggested that these organisations remain highly reliant on tacit knowledge that drives the organisation forward.
Table 1 - Types of knowledge in SEs

<table>
<thead>
<tr>
<th>Knowledge</th>
<th>Specific knowledge</th>
<th>Format</th>
<th>Micro</th>
<th>Small</th>
<th>Med</th>
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</thead>
<tbody>
<tr>
<td><strong>Tacit</strong></td>
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<tr>
<td>Organisational knowledge</td>
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<tr>
<td>Business acumen</td>
<td>Experience</td>
<td>X</td>
<td></td>
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<tr>
<td>Reputation and experience</td>
<td>Experience</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Member’s expertise (fundraising, knowledge of clients groups, enterprise development, delivering programmes)</td>
<td>Verbal / Experience</td>
<td>X X</td>
<td></td>
<td></td>
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<tr>
<td>External experts’ knowledge</td>
<td>Verbal / Experience</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>SE model concept and strategy</td>
<td>Verbal / Experience</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Memories of failures and successes in the past</td>
<td>Experience</td>
<td>X</td>
<td></td>
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<tr>
<td>Key contacts</td>
<td>Experience</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Stories of how the SE has helped people over the years</td>
<td>Experience</td>
<td>X</td>
<td></td>
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<tr>
<td>Project experiences</td>
<td>Experience</td>
<td>X X</td>
<td></td>
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<tr>
<td>Enterprise journey</td>
<td>Experience</td>
<td>X</td>
<td></td>
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<tr>
<td>Cultural understanding</td>
<td>Experience</td>
<td>X</td>
<td></td>
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<tr>
<td>SE criteria, ethos and values</td>
<td>Experience</td>
<td>X</td>
<td></td>
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<tr>
<td>People / community information</td>
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<tr>
<td>Community people’s necessities</td>
<td>Verbal X X</td>
<td>X</td>
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<tr>
<td>History about the community</td>
<td>Verbal X</td>
<td>X</td>
<td></td>
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<tr>
<td>Participants’ experiences</td>
<td>Verbal X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other SEs experiences</td>
<td>Similar experiences</td>
<td>Verbal X X</td>
<td></td>
<td></td>
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<tr>
<td>Explicit</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Customer / clients information</td>
<td></td>
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<td></td>
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<tr>
<td>Client’s files</td>
<td>Paper / Electronic / Media</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Number of clients served and type of service offered</td>
<td>Electronic</td>
<td>X X</td>
<td></td>
<td></td>
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<tr>
<td>Clients’ satisfaction evaluations</td>
<td>Electronic / Paper</td>
<td>X X</td>
<td></td>
<td></td>
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<tr>
<td>Local community bill payment information</td>
<td>Verbal / Paper</td>
<td>X</td>
<td></td>
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<tr>
<td>Stakeholder information – contact names – demographic information</td>
<td>Electronic</td>
<td>X X</td>
<td></td>
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<tr>
<td>Clients’ social and financial position when starting with SE and when they finish the service</td>
<td>Electronic</td>
<td>X</td>
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<tr>
<td>Organisational / operational information</td>
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<tr>
<td>Database of existing elderly services</td>
<td>Electronic (online)</td>
<td>X</td>
<td></td>
<td></td>
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<tr>
<td>Internal information (project information, financial records, sales information)</td>
<td>Electronic</td>
<td>X X</td>
<td></td>
<td></td>
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<tr>
<td>Business plan, strategic policy, internal policies</td>
<td>Electronic</td>
<td>X X</td>
<td></td>
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<tr>
<td>Information of new services in the area</td>
<td>Paper / Electronic</td>
<td>X</td>
<td></td>
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<tr>
<td>External information</td>
<td></td>
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<tr>
<td>Policies, legislations, legal requirements (updates)</td>
<td>Paper / Electronic / Verbal</td>
<td>X X X</td>
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<tr>
<td>Funding information</td>
<td>Verbal / Electronic</td>
<td>X X</td>
<td></td>
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<tr>
<td>Sectorial information</td>
<td>Verbal / Electronic</td>
<td>X X</td>
<td></td>
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<tr>
<td>Research and reports</td>
<td>Electronic</td>
<td>X X</td>
<td></td>
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<td></td>
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<tr>
<td>Updates of the SE</td>
<td>Electronic / Paper / Media</td>
<td>X X</td>
<td></td>
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<tr>
<td>Tacit / Explicit</td>
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<td>Organisational knowledge</td>
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<tr>
<td>SE intellectual property</td>
<td>Verbal / Electronic</td>
<td>X</td>
<td></td>
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<tr>
<td>Collective knowledge from Community partnership</td>
<td>Verbal / Paper</td>
<td>X</td>
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<tr>
<td>Project information</td>
<td>Verbal / Paper / Electronic</td>
<td>X X</td>
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</table>
To emphasise the importance of tacit knowledge, SE13 reflected “It's all mostly in people's heads, the memories, the failures, the successes and the past that keep everything going”. The type of tacit knowledge presented in SEs can be described under the classification of knowledge assets proposed by Nonaka et al. (2000b). These were experiential knowledge, such as, members’, stakeholders’ and other SEs’ experiences, members’ skills, and SE history and reputation; and conceptual knowledge, such as, community necessities and cultural understanding.

As will be explained in each of the activities in the following sections, this type of experiential and conceptual knowledge is rarely managed. This was corroborated by comments given by participants, such as:

“Some of the staff that is just there, it's almost like this is the social history of how we've done things, and particularly when we have made mistakes, I suppose; because you make mistakes and you learn from them and you don’t do that again. But that's only really effective through historically by people.” (SE13)

“... there's a lot of data in people's heads that we haven't extracted yet, so we've got lots of stories of how we worked with people and what's gone on in the past, but we don't take enough time to sit down and reflect on all those issues.” (SE15)

“... to be able to pass that knowledge on I would have to contextualise it and focus on being able to teach someone else, and that means knowing what I know, and I don't really know what I know. And that's a challenge I suppose ” (SE9)

The last comment clearly stated some of the main difficulties in managing tacit knowledge within organisations, and transforming it into explicit knowledge, which corresponded with numerous KM discussions, such as “if only we knew what we know” (O'Dell and Grayson, 1998b; O'Dell and Grayson, 1998a).

Another possible reason why tacit knowledge is rarely well managed by some SEs is the idea that sharing too much tacit knowledge with a new person who is going to take it over actually constrains the creativity and development of new knowledge (SE17). This may exemplify what Leonard-Barton (1992; 1995) called “core rigidities”, which are capabilities that constrain future learning and actions taken by the organisation, thus hindering knowledge creation rather than promoting it. In spite of this, participants acknowledged the importance of this knowledge by realising how much the SE would lose when a member leaves the organisation. This will be discussed further in the application process.

The previous considerations were focused on the particularities of the tacit knowledge found in SEs. Regarding explicit knowledge, the other two knowledge assets proposed by Nonaka et al. (2000b), systemic and routine knowledge, were also detailed by participants, such as, clients’ information and operational knowledge (see Table 1). Participants were also aware of the importance of managing explicit knowledge in their SEs, as SE8 interpreted:

“Because you can't find yourself talking about problems that you haven't really collected the information and haven't done anything with it ... so it's good to keep information, at least you can at some point see statistics on what makes a difference and what doesn't” (SE8)

As may be observed in Table 1, different types of tacit knowledge were described more often by micro organisations, whereas explicit knowledge was mentioned more frequently by small and medium SEs. This corroborates the initial discussion presented in this section, which recalled earlier studies that suggested that smaller organisations tend to have more tacit knowledge than larger ones.

4.2 Are SEs managing their knowledge formally or informally?

When we asked participants about their formal practices of KM, only four of the 21 participants mentioned having some “formal” activities. Nonetheless, participants described behaviours and activities within their SEs that revealed some KM practices. Participants described both organisational conditions to leverage knowledge, as well as activities for acquiring, applying, conserving and protecting knowledge within their SEs. What this indicates is that, as was found in previous studies of KM in SMEs and Non-profit Organisation (NPOs) (Uit Beijerse, 2000; McAdam and Reid, 2001; Holm and Poullfet, 2003; Desouza and Awazu, 2006; Hume and Hume, 2008; Hutchinson and Quintas,
SEs have knowledge activities that are not governed by the structures, concepts or formal language of KM, but were expressed more informally as general practices of the organisation.

This was corroborated by interviewees describing their KM practices as informal (SE1), mainly the collection of statistical and general information (SE2 and SE3), and learning and reflecting on how to improve practice (SE7). This suggests that SEs, in the main, are in an early stage of learning about the formal concepts of KM, and adopt informal, rather than formal, processes to manage knowledge. As SE6 expressed it: “I think it just felt that (implementing shared folders by headings), it was instinctive, I just felt that was right”.

These informal processes and activities of managing knowledge, however, differed significantly from one SE to the other. Thus, the following discussions present the main activities and strategies adopted by participants in their SEs to manage their knowledge, both formal and informal, giving important consideration to the main differences made evident in the empirical data. It is important to include informal knowledge activities in the study because, as Hutchinson and Quintas (2008: 135) suggested “a research focus on formal KM processes alone would therefore lead to an incomplete picture”.

4.3 Acquisition

Knowledge acquisition activities are orientated towards obtaining knowledge for the organisation. This involves the creation of new knowledge, sharing of new and existing knowledge, and importing knowledge from external sources. In the interviews, participants outlined various internal and external activities that support the acquisition and creation of knowledge in SEs. In order to analyse these activities, we used the knowledge creation SECI (socialisation, externalisation, combination and internalisation) cycle created by Nonaka et al. (2000a). The SECI process involves four modes of conversion between tacit and explicit knowledge, which are (Nonaka and Takeuchi, 1995; Nonaka et al., 2000a; Nonaka et al., 2000b):

- **Socialisation**: from tacit to tacit knowledge. Tacit knowledge held by one individual is handed over, and becomes the tacit knowledge of another. It is defined by individual and face-to-face interaction, where members share experiences, feelings, emotions and mental models, thus, increasing existing tacit knowledge;

- **Externalisation**: from tacit to explicit knowledge. People convert some proportion of their tacit knowledge into explicit knowledge by conceptualising and articulating it. It represents the collective and face-to-face interactions where mental models and experiences are shared, converted into common terms, and articulated as concepts, hence, facilitating the conversion of tacit to explicit knowledge;

- **Combination**: from explicit to explicit knowledge. Existing information is reconfigured through the sorting, adding, re-categorising, and re-contextualising of explicit knowledge. It refers to collective and virtual interactions; and

- **Internalisation**: from explicit to tacit knowledge. An individual absorbs knowledge that others hold, and converts it into actions and practices that are deeply related to tacit knowledge. It is defined by individuals and virtual interaction.

Table 2 presents the discussion covering all the acquisition and creation activities involving both tacit and explicit knowledge, and both internal and external knowledge in SEs.
Table 2 – Discussion knowledge acquisition activities

<table>
<thead>
<tr>
<th>SECI cycle</th>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
</table>
| **Socialisation (tacit-tacit)** | Maintained by supporting and encouraging informal and constant communication among members through:  
- Informal meetings (SE13)  
- Team “huddles” (small groups) (SE6)  
- Informal meetings between “mature” and “young” members, allowing to cascade down knowledge (SE15)  
- Allocating people in different places to stimulate communication (SE3)  
- Training members in each other’s job, creating and maintaining a collective operational knowledge within the SE (SE17)  
This was not difficult because SEs are in the majority micro and small enterprises where people know each other very well and are required to work collaboratively to execute projects. | Supported by:  
- Having face-to-face conversations with the community the SE was serving (SE5, SE10, SE18). This permitted the accumulation of tacit knowledge about the real necessities and the context for those necessities. This provided unique knowledge of, and insight into, the local market and customers, demonstrating their genuine interest in creating social value.  

Implication:  
All these internal and external activities for knowledge acquisition and creation offer the context for socialisation, which facilitates the increase of tacit knowledge, and inspires trust and commitment. By demonstrating the existence of these knowledge activities in SEs it can be inferred how the organisational culture of SEs has embodied trust and collaboration attitudes. |
| **Externalisation (tacit-explicit)** | Accessible throughout:  
- Regular staff meetings, where people discuss and integrate issues, looking at commonality and possible options of action, as well as discussing their problems and difficulties in their jobs (SE7)  
- Employees’ expertise meetings that created new collective knowledge based on members’ different expertise (SE6)  
- Debriefing people before they leave the SE. This helped the SE to retain people’s knowledge within the organisational memory by transforming tacit knowledge into accessible explicit knowledge (SE17)  
Maintained by:  
- Meeting local community actors in Community Partnerships to discuss their perceptions of the SE, what it is actually happening in the community and their necessities. This activity allowed the SE to be aware of “what was out there” and how to drag in resources to the SE, transforming the tacit knowledge of the community into explicit input for their planning process (SE5, SE15 and SE16).  
- Visiting other similar SEs, or meeting them in SE network events to share experiences, practices and doing benchmarking (SE4, SE15, SE18 and SE20). This was crucial for sharing experiences and learning lessons among similar organisations that were tackling similar social problems, or were undertaking similar business activities.  

Implication:  
All these spaces, conversation with the community, the community partnership, visiting other SEs, and the SE network events were offering a context for externalisation that supports the conversion of tacit knowledge into explicit knowledge. |
| **Combination (explicit-explicit)** | Obtained by:  
- Collecting and storing the operations information into laptops, spread-sheets and databases (SE9, SE12, SE13, SE17, SE18 and SE21). In some cases, this information was available to other members of the SE through shared servers and folders, which were both accessed internally only or externally through cloud solutions (SE6, SE7, SE10, SE11, SE13, SE14 and SE19)  
Created by:  
- Conducting satisfaction surveys on paper and online before, during and after receiving the service, such as consultancy, training, or other social services (SE3, SE8, SE11, SE13, SE14, SE18 and SE20).  
- Gathering online, on paper, face-to-face, with online forum or on |
- Distributing and sharing information internally through magazines or newsletters that were sent frequently to all members in order to keep them informed of what was happening in the SE (SE2 and SE18). Larger SEs, normally with more than 10 members, followed this practice.
- Keeping a “Policy Hub” or “library of information” accessible to everyone in the SE (SE6, SE10, SE13 and SE19), with information about policies, research reports, business plans, procedures and board reports. Nevertheless, participants admitted that the existence of the “Policy Hub” was not a guarantee that people were accessing it and getting the knowledge.

**Implication:**
All these activities permitted SEs to combine explicit knowledge, as explicit knowledge is relatively easily transmitted to more people in written form through technology and shared solutions.

<table>
<thead>
<tr>
<th>Internalisation (explicit-tacit)</th>
<th>Supported by:</th>
<th>Implication:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Building a complete manual of the SE, which allowed the SE to develop a franchise model (SE10).</td>
<td>No acquisition activities described by participants</td>
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</tbody>
</table>

This type of activity was less detailed by participants, with only one case identified. The knowledge gathered by the SE through experiences was converted into explicit knowledge, the manual, which was then offered to other SEs to develop tacit knowledge from it.
On one hand, the findings presented in Table 2 corresponded with previous studies in SMEs (Desouza and Awazu, 2006; Maguire et al., 2007) that found socialisation as the predominant way through which knowledge transfer and sharing occurred in SMEs. This is because employees are always in close contact with the owner, as well as in close proximity to each other. This resulted in a smooth flow of knowledge up and down hierarchical ranks, which normally occurs via personalised meetings among individuals. On the other hand, our findings contradicted suggestions made by Dacin et al. (2010) in SEs and Lim and Klobas (2000) in small firms, about the lack of knowledge of SEs about their external social context. As was evident in our interviews, SEs made it a priority to be well-connected with their localities and the community. This helps them to use environmental knowledge in an effective way concerning business activities.

All the knowledge activities previously described and discussed summarised the attempts made by SEs to acquire knowledge that can be converted, applied and then protected. It was noted that, in light of the findings from our interviews, knowledge acquisition activities are the most usual knowledge activities in SEs. SEs are currently acquiring, sharing and creating knowledge internally and externally, both tacit and explicit, without regarding it as formal KM practices.

4.4 Conversion

Knowledge conversion activities are orientated towards making existing knowledge useful. In order to analyse the activities of knowledge conversion described by participants, the SECI cycle of Nonaka et al. (2000a) is also used. The discussion of each element of the cycle for both internal and external knowledge is presented in Table 3. Because conversion activities are more associated with the conversion from tacit to explicit knowledge, externalisation, and explicit to tacit knowledge, internalisation, both processes will be analysed in more detail.
### Table 3 - Discussion knowledge conversion activities

<table>
<thead>
<tr>
<th>SECI cycle</th>
<th>Internal</th>
<th>External</th>
</tr>
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<tbody>
<tr>
<td><strong>Externalisation</strong></td>
<td>Achieved by:</td>
<td>Maintained by:</td>
</tr>
<tr>
<td>(tacit-explicit)</td>
<td>• Minuting staff meetings (SE8, SE10, SE13), sometimes recorded (SE10), stored in databases (SE17), shared with stakeholders (SE8), and, in a few cases, firm action plans were generated from the meetings (SE8, SE10, SE13).</td>
<td>• Mapping out where the gaps are in the needs of the community and turning these into action plans for service development (SE5).</td>
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<td></td>
<td>• Creating for each member of the SE, “job description, role profile, what are the key responsibilities, what are the key targets, how the person manage his success, what are the skills needed, and the experience needed to do the job” (SE17). This information was stored in the system.</td>
<td>• Producing case studies, research and publications by integrating the experiences and comments from people in the community with their own information about the services (SE10).</td>
</tr>
<tr>
<td><strong>Combination</strong></td>
<td>Obtained by:</td>
<td>No conversion activities described by participants</td>
</tr>
<tr>
<td>(explicit-explicit)</td>
<td>• Storing customers and clients’ information, and operational knowledge in databases (SE1, SE2, SE3, SE4, SE6, SE8, SE10, SE11, SE13, SE19 and SE20).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Integrating this with other explicit information within the SE to produce reports, publications and newsletters (SE1, SE3, SE8, SE10, SE13, SE14 and SE18). This information allowed the SE to keep track of the different processes within the SE (SE8 and SE19), inform stock allocation (SE2), inform the design of consultancy projects, and use as a reference guide for members.</td>
<td></td>
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<tr>
<td></td>
<td>• Analysing customer satisfaction surveys to identify what customers wanted, needed and asked (SE3 and SE5).</td>
<td></td>
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<tr>
<td></td>
<td>• Organised explicit operational knowledge in a shared server “by headings that everybody shares ... so people are more disciplined now to save things in files that mean something to everybody” (SE8). This SE also organised physical documents into folders with a list of contents that facilitated its future use.</td>
<td></td>
</tr>
<tr>
<td><strong>Internalisation</strong></td>
<td>Supported by:</td>
<td>No conversion activities described by participants</td>
</tr>
<tr>
<td>(explicit-tacit)</td>
<td>• Integrating information from different internal sources to build an organisational and operational manual for all members of the SE (SE10). The manual explains how the SE was working and recording actions that can be replicated.</td>
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</tbody>
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12
In general, it can be observed that SEs were not converting all the knowledge they were acquiring, specifically tacit knowledge into explicit knowledge and explicit knowledge into tacit knowledge. This finding matched similar results in small firms (McAdam and Reid, 2001; Wong and Aspinwall, 2004; Desouza and Awazu, 2006). These studies established that knowledge embodiment, although being helped by sharing and openness, was not systematically converted and used within the organisations. Knowledge, once internalised by employees was applied directly to work, and was seldom documented in a secondary storage medium like a notebook or information systems. Thus, it was simpler for small firms to organise tacit knowledge, but not explicit knowledge. This is because, being small, individuals have a better idea of the level of expertise and know-how of their colleagues and whom to consult if they need certain information. However, small firms often lack time, financial resources and formality in their systems and procedures to convert it to explicit knowledge that can be accessed by other members in the future.

Concluding, SEs can design more knowledge activities to convert not all the knowledge acquired by the SE but, at least, the knowledge that can create value in the future for the SE. This is because, as Durst and Edvardsson (2012) outlined, in order to manage effectively organisational knowledge, the enterprise needs to understand what types of knowledge are provided and their respective relevance to the firm.

4.5 Application

Application processes are focused on making knowledge useful, consequently, creating value for the organisation. The interviews explored in more detail the different activities undertaken by SEs to apply some of the knowledge that was internally and externally acquired, and some of which was converted to organisational knowledge. These activities are discussed in Table 4.
Table 4 - Discussion knowledge application activities

<table>
<thead>
<tr>
<th>Internal</th>
<th>External</th>
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<tr>
<td>From meetings:</td>
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<tr>
<td>• Converting knowledge acquired and shared in meetings into minutes and action plans, or directly into specific projects using lessons learned from previous similar projects (SE13); and</td>
<td>From other SEs:</td>
</tr>
<tr>
<td>• Meetings allowed members and managers to “…step back and reflect on what you’ve been doing, what you are trying to achieve and where you’re going” (SE15). The tacit knowledge shared in those meetings was then being applied into the organisation to adjust their strategic direction.</td>
<td>• Knowledge that was acquired by sharing experiences with other SEs was employed by some SEs to identify models of good practice, which were then implemented in their SEs (SE4 and SE15). This knowledge also helped SE20 to “prevent duplication and ensure targeting the right people”.</td>
</tr>
<tr>
<td>• Creating a franchise model based on the SE model (SE10). The success of a franchise system is replicating, managing, developing, perfecting, disseminating, and improving an intangible resource, in this case knowledge, both within and across organisations (Paswan and Wittmann, 2009). Thus, this SE was creating, acquiring, converting and applying its organisational knowledge, which then resulted in value for the SE.</td>
<td>From SE Networks:</td>
</tr>
<tr>
<td>• Creating job descriptions that included not only the explicit knowledge associated with the job, but also tacit knowledge, such as, the experiences needed for the job (SE17). This was combined with training in each other’s job as well as regularly debriefing people. All this information and knowledge was used by the SE to “fill in for people”, avoiding “hiatus” and loss in productivity when a person left the SE.</td>
<td>• By attending, or belonging to, SE networks and sectorial associations, participants mentioned using the knowledge acquired in allowing the SE to “survive” by “being very aware of new kinds of funding, commissioning” (SE10), and then adapting and updating their business plan “hot off the press”.</td>
</tr>
<tr>
<td>From the community and customers:</td>
<td></td>
</tr>
<tr>
<td>• Business Opportunities</td>
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<tr>
<td>• Developing reports that were presented to commissioners, who normally gave the contract to the SE because it had inside track of the information (SE10), or selling them to government or developers interested in working with particular communities (SE3)</td>
<td></td>
</tr>
<tr>
<td>• Developing new services or products focused on current customers’ needs and seeking possible new customers for those services in new areas (SE2, SE13, SE18 and SE10)</td>
<td></td>
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<tr>
<td>• Allocating new products in relation to how they are sold and how they have been demanded in the past (SE2)</td>
<td></td>
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<tr>
<td>• Strategy and organisational improvement</td>
<td></td>
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<tr>
<td>• Planning strategic development of the community (SE5)</td>
<td></td>
</tr>
<tr>
<td>• Making “educated business decisions” in terms of how to expand, where to expand and how to deal with organisation problems (SE2, SE8 and SE17)</td>
<td></td>
</tr>
<tr>
<td>• Measuring social impact (SE9, SE10, SE11, SE14, SE15, SE20 and SE21)</td>
<td></td>
</tr>
<tr>
<td>• Creating and measuring Key Performance Indicators that were used to adjust the strategic direction (SE5 and SE8)</td>
<td></td>
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<tr>
<td>• Performing stock management and negotiating prices with suppliers (SE13)</td>
<td></td>
</tr>
<tr>
<td>• Marketing</td>
<td></td>
</tr>
<tr>
<td>• Providing evidence of the work that has been done by the SE as promotional and marketing material to potential funders, government and customers (SE8, SE13, SE14 and SE21)</td>
<td></td>
</tr>
<tr>
<td>• Lobbying (SE8)</td>
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</tbody>
</table>
Participants described practices related to *succession planning* within the SE, recognising the importance of making knowledge available to everyone in the SE (SE10 and SE11). By sharing knowledge throughout the SE, the management team and founders were guaranteeing that knowledge from CEOs and older members could cascade down to other members of the SE, assuring the SE continuity, or as SE15 stated “*keeping the organisation pointing in the right direction and moving forward*”. SEs were then converting tacit knowledge into tacit or explicit knowledge that was used by other members in case the owner of the knowledge was not there. Some of this knowledge is:

- External: Relationship between the different sectors (SE9); Networking contacts and critical understanding of local politics (SE14); and
- Internal: Organisation’s vision (SE15); Strategic planning (SE9 and SE15); General management of the organisation (SE15); Understanding, scheduling, visualisation and execution of projects (SE9)

Nonetheless, not all participants described having activities of acquiring and applying organisational knowledge associated with succession planning. In fact, the majority of participants did not have a succession strategy and some described this as one of the main threats to the future of their SEs, as some participants mentioned “…*at the moment, without me being around, the company won't really function.*” (SE14) and “*I know if I am run over by a bus tomorrow, all the actual running of the company would go with me*” (SE9). This evidenced how transfer and application of knowledge represents a critical aspect in view of the SE continuity. This is because the knowledge of some key employees, in the case of SEs, normally the Founder and/or CEO, may be the source of competitive and comparative advantage of the SE (Durst and Wilhelm, 2012). Thus, the departure of any member could result in a lack of essential “know-how” important for the SE success, such as, fundraising expertise (SE15), or crucial contact with key relationships (SE14 and SE15).

This finding agrees with the empirical study of small firms by Lim and Klobas (2000), who found them susceptible to the loss of employees seeking better compensation and higher prestige associated with larger organisations, thus, leaving the firm with much-needed organisational knowledge. Though, these findings differed from another study of SMEs by Desouza and Awazu (2006). That paper outlined that small firms are not affected if one or more employees leave, due to the ease of availability of common knowledge. This, as was explained before, was not the case in SEs, where sometimes the person leading the firm was the founder, the funder and the CEO, who normally would have all the history and future vision of the SE, without which the organisation could no longer exist, in their head.

All the activities described in Table 4 emphasised how SEs are using the knowledge they have regarding their customers, their services and their experiences to “*not re-inventing the wheel*”, and to adjust and define the operational and strategic direction of the SE. Moreover, this knowledge was used by SEs to measure their impact, which could determine the effectiveness of the SE, help the SE to legitimise itself, and be used as a marketing tool to obtain new customers and financial sponsors. In the words of SE1:

> “I think it would be helpful to know just how powerful knowledge could be, just not only about evidence of success or failure, but the opportunity to change direction or to evolve into another arena”.

Regardless of these group of activities described by participants to apply their knowledge, some idiosyncratic characteristics of SEs may obstruct the effective application of this knowledge. The small size of SEs and the scarcity of economic resources can restrict the conversion, retention and further application of knowledge throughout the organisation, and even threaten its survival in the case of the holders of this knowledge leaving the SE.

### 4.6 Protection

Protection processes are associated with the protection of knowledge from inappropriate use, both internally and externally, as well as from losing it. These activities were hardly mentioned by participants in the interviews, denoting that SEs may not give the same importance to protecting
knowledge as to acquiring, converting and applying it. Among the few protection activities described by participants, some of the most common associated with explicit knowledge were:

- Using passwords in systems to restrict access to explicit knowledge and information kept there (SE10);
- Having protocols in place for permission to access sensitive data (SE10 and SE11); and
- Encrypting the information in computers often (SE8).

The main reason for keeping data protected in their systems was the data protection policy/act signed with service users (SE8 and SE10). This policy prohibited the SEs for sharing customers’ information with third parties, due to the sensitivity of the information managed by the SE.

In the case of tacit knowledge, only one participant, SE10, described having a practice in place that did not protect the knowledge itself embedded in people’s head, but did protect the enterprise from the loss of that knowledge. This was obtained by having an insurance policy that covered the financial damage of losing information and knowledge from key members if they die. Although this practice demonstrated that the SE was aware of its tacit knowledge, it was though a corrective practice rather than a preventive one. Similarly, this SEs has developed a franchise model of their SE, which included manuals and handbooks with all the practices, experiences and processes undertaken in the SE. In order to maintain the competitiveness of this model, the SE also decided to protect it through a trademark.

A possible reason for having few protection activities within SEs was suggested by participant SE11, who reflected that:

“Because we are such a small crew, then basically it’s not necessary for us to keep all sorts of levels of information within our team”. (SE11)

This may imply that in smaller SEs, in this case a micro SE, there is no reason for restricting information or knowledge to some members, because all members are actively involved in the operation of the SE. Thus, only activities associated with external protection of knowledge are required.

Conversely, another possible reason for finding few knowledge protection activities within SEs could be that, by having an open and collaborative culture based on trust, SEs did not require to keep a “knowledge-protection” attitude among its members, encouraging instead, a more “knowledge-sharing” attitude. This echoed previous studies on KM, which theoretically and empirically demonstrated that increasing knowledge protection will decrease knowledge transfer (Norman, 2004; Khamseh and Jolly, 2008), sharing (Randeree, 2006), and integration (Liao and Wu, 2010). This may be because, by limiting the access to knowledge, the organisation is hindering its ability to transfer knowledge and learn from members or stakeholders. Thus, members and stakeholders will respond to the SE limitations of information sharing by further reducing their own sharing, which will be detrimental to knowledge production.

5. Conclusions, implications and limitations

Although our empirical findings detailed how SEs were mainly acquiring knowledge, and not necessarily converting, applying and protecting it, there were certain types of knowledge that were acquired or created by the SE and then applied directly into their operations and services. Some of this knowledge was related to their members expertise, experiences, lessons learned and community understanding. Among others, these types of mechanisms will help SEs to conserve acquired knowledge and to retrieve it when needed (Alavi et al., 2005). Nevertheless, participants agreed that SEs did not follow the formal and recognised practices of KM. Instead, they developed more informal activities that support the management of knowledge but are not visualised as such. This can imply that, as was found in SMEs and NGOs (Uit Beijerse, 2000; Desouza and Awazu, 2006; Hume and Hume, 2008; Hutchinson and Quintas, 2008; Kong, 2008), SEs are using KM more at an operational level, rather than at strategic and tactical levels of the organisation.
The study also provided empirical evidence of the idiosyncratic characteristics of SEs, demonstrating some of their similarities and dissimilarities with other organisations, such as, private SMEs and NPOs. The similarities were associated with the informality of current KM practices identified in SEs, the lack of human and economic resources that affect crucial decisions in the SEs, and the strong reliance on tacit knowledge to operate the SEs. One of the main differences rested in the active involvement with stakeholders, community, consumers, other SEs and government, to acquire crucial knowledge to provide and create social and environmental value. These differences validate the originality of this research, since, for the first time, it transfers the business practice of KM into the particular context of SEs.

All these findings have important implications for different actors. For SE and KM researchers and academics, this study confirmed the importance of studying not only formal, but also informal KM practices, in order to obtain a real and accurate understanding of how SEs and small firms are managing their knowledge and its impact in and on the firm. This has implications on the development of further informed, relevant and accurate research that support those seeking to learn more about SEs. For SE practitioners, it was recognised how SE should assume more business orientated strategies, such as KM, so that they can improve their performance and enhance their creation of social, environmental and economic value. The current economic and social scenario requires the development of more competitive and sustainable advantages, which can be defined by the management of their valuable knowledge of practices and stakeholders. This justifies the need for developing knowledge-process capabilities in SEs. The knowledge activities studied in this paper can help SEs to evaluate their current practices and to develop plans for their further improvement. For SE supportive organisations – government, private sector, associations and networks, the findings from this research, specifically the evidence of SEs’ type of knowledge required or managed, may prove useful when defining programmes and proposals for enhancing and supporting the sector.

This research has some limitations that may have a degree of impact on the results, and certain lessons emerged from this. First, our study presents conceptual limitation associated with the limited research in the area of KM practices of SEs. For this reason the KM practices studied in SEs were defined based on previous studies of KMCs in large private and public companies (Gold et al., 2001; Lee and Choi, 2003; Lee and Lee, 2007; Zaim et al., 2007; Mills and Smith, 2011). This precludes the study of other important elements associated with knowledge-process capabilities that are related to SEs exclusively. Thus, our study needs to be considered only as a starting point in the study of KM in SEs. Future research should study different components of KMCs, such as, absorptive capacity (Cohen and Levinthal, 1990), leadership and strategy.

Due to the restricted resources of SEs and their dynamic characteristics, we recommend to develop practical guidance supporting the audit and further development of knowledge-process capabilities in SEs. This guidance can be in the form of a practical framework. This framework can support SEs initially to assess their current KMCs, and then, based on this, to build applicable and relevant development plans to improve such capabilities, and obtain an improvement in their organisational performance. This format would allow the consideration of the heterogenic characteristics of SEs. The empirical implementation of this framework, possibly in a more case-based type of research, is recommended.

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