



**Knowledge as an effective tool to improve Economic Performance in Micro
and Small Enterprise**

by

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DEDICATION

This dissertation is dedicated to my wife Delia, whose permanent support made possible this journey.

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LIST OF ABBREVIATIONS

ACRONYM	MEANING
ISIC	International Standard Industrial Classification
MISE	Micro and Small Size Enterprises
MITINCI	Minister of Industry, Tourism, Integration and International Commercial Negotiations (Peru)
FOSIS	Fund of Solidarity and Social Investment (Chile)
CASEN	Survey of Socio Economics Characterization (Chile)
Mideplan	Minister of Planning (Chile)
UNDP	United Nation Development Program
EO SME	European Monitoring Centre for Small and Medium size Enterprise
GEM	Global Entrepreneurship Monitor
SECI	Socialization, Externalization, Internalization and Combination (Nonaka Model)
SGKM	Second Generation of Knowledge Management
TNKM	Third new of Knowledge Management
TIMMS	Trends in International Mathematics and Science Study
PISA	Programme for International Student Assessment
OCDE	Organisation for Economic Co-operation and Development
AIMEX	Asia-Pacific's International Mining Expo (Australia)
EXTEMIN	Expo Technology and Mining (Peru)
GNP	Gross National Product

INTRODUCTION

To Understand and Explain about the effect of creation, the use and management of knowledge as a factor of economic performance in the micro and small business, utilizing a qualitative approximation based on the use of narratives, is the purpose of this dissertation, for which a scheme based in a theoretical analysis in order to understand the behavior of the micro and small enterprises, related to the economic performance, the complexity of these sector and the public polices to develop for help them, on the other hand review all the theoretical contribution in knowledge and knowledge management and define what are the available tools, in the field of knowledge, to help to increase the economic performance of this particular enterprises. After the theoretical analysis an empirical work was developed, it was divided into two phases; the first one consider a model to understand the most prominent variables and their application in the analysis of the phenomenon being studied. The second phase, proposes to investigate the nature of this knowledge, that is to say to identify the type of knowledge that is used by the small entrepreneurs, how this is effectively used and how is it related to the determined factors in the first phase of the study.

The design of this research is based on the conceptual framework proposed by John W. Creswell (2006 & 2008) and methodology in the work on the use of Narratives in the Social Science Research by Barbara Czarniawska (2004). The criteria used for selecting an approach was proposed by Creswell (2008), based on the fact of the main variables of the problem to be analyzed that are unknown for the researcher, the topic has never been addressed by these group of companies and the existing theory does not apply

with the particular sample, the qualitative approach to explore and explain that the study problem is correct. The Narrative research was the strategy of inquiry, as Creswell (2006) proposed for the cases in which the researcher studies the lives of individuals and ask them, in open ended interviews, to provide stories about their lives, in our case about their lives like entrepreneurs, this information is then retold for the researcher into a new narrative which combines views from the participant's life with those of the researcher life. The research design used for this dissertation was the proposed for Creswell (2008) for a Narrative inquiry and it is presented in the methodology chapter.

It is important to underline that the study was made on a very particular group of companies of the small and micro enterprise, which has a social importance specially in the developing countries, like Chile, since they contribute with most of the employments and however, their economic output is very low. This type of companies particularly have a great diversity and therefore, the public policies like the academic studies agree in considering this diversity as a great barrier for the improvement of its economic performance.

The small size company's role in the employment and in the inequality of countries, defines the necessity of studying the economic behavior of this sector and furthermore the related knowledge, generated, shared and used by them. This is common to all countries, but it is more evident in the developed ones. In Chile there are about 1.4 million Micro and Small size companies, from which 684,000 the legalized represent 97% of formal country companies and they provide employment to population about 62.5%, according to gathered information in 2004 (Chile Emprande 2005). The economic performance is poor and it has been falling from the contribution of 16.9% to the total

sales in 1999 to 12.9% in the 2003. These companies were formed by less than ten people and they were managed mainly by the entrepreneur, who managed and developed the main business activities and even a lot of them were formed only by the single manager (Chile Emprande 2005).

The government and other institutions keep on developing different programs to help to the small companies to improve the economic performance, but the majority of them do not have positive results, in Chile the government multiplied by four the investment in the programs to help this sector during the 90's and it is increasing in the 2000's (Gobierno de Chile 2003). Hundreds of new initiatives to help the entrepreneurs in financing, training, direct programs for productivity, creation of new business and others were implementing and failed during the last years, the rate of exit from the market of the Small companies is the same, the 51% of them will close in less of 10 years, and it is not affecting for the economic situation, the market cycle or the programs of government to help the small companies (Cabrera et al 2002).

The motivation for this dissertation is in fact to analyze the knowledge administration in small and micro size companies and its relationship with the economic performance of them, to contribute in the study of this important sector for the country social development.

Later 80's, Paul Romer (1986, 1990 & 1994) introduced the concept of endogenous growth and highlights in which knowledge is a decisive factor for economic growth, complementary to the capital and work, factors already studied by Robert Solow (1956) and the neoclassical economists. Using the principles proposed by Romer, Paul Krugman (1996) predicted the Asian crisis, it began in July 1997 and originated fear of a

worldwide economic meltdown until 1999, highlighting that the success of the Asian countries was incidental and it is due to capital accumulation, and there was no evidence of an equivalent knowledge generation that allows to sustain for a longer time these high levels of growth (Krugman P 1994). At the end Krugman was right and his work was very important to understand the Asian Crisis origins and also to find the solution. Romer and Krugman are mentioned every year like favorites for the Nobel Prize in Economics, finally Krugman obtained it in 2009; also he was awarded the “Principe de Asturias Medal” for his contributions to the economy studies. From the above-mentioned you can conclude that the study of knowledge becomes important in the analysis of economic growth and particularly on companies performance.

Based on this, the knowledge is a factor in the economic performance, just as Romer (1986) outlines, this research study is destined to discover the knowledge bases that the small managers have, and the regulations that can be formed by government and non government institutions, which is the result of knowledge created by these institutions and what was the broker knowledge role that helped in its development as well as in their own knowledge for handling, the creation of new knowledge being this Technical or administrative and also in making more accessible the understanding the institutional regulation for the managers.

In the field of knowledge I made use of the particular focus of American pragmatism John Dewey (1910), his definitions of simplicity in the transmission of knowledge, it is very appropriate to understand why the small and micro entrepreneurs have great difficulties in getting along with their environment and in making use of the tools that this offers to increase its efficiency, while finding the entrepreneurs very

complex knowledge instruments or rather they do not use these possibilities or they do not take advantage of them since they are not understood by them or are applied by them in the wrong way.

It is also important to understand the relationship between the entrepreneurs and the environment, the concept of brokers or intermediaries' knowledge (Hargadon A & Sutton R 2000), this because the entrepreneurs, while having a deficit in understanding and/or applying the available instruments require help to make possible to execute with success these tasks and as a result of this the role of the intermediaries permit to improve the performance of the entrepreneur. However, there was no evidence that this function is well applied, except in very specific functions like the accountancy, and it really permits all the entrepreneurs to solve the problems that are affecting their output.

Finally in order to understand both the use of knowledge as well as the possession of this on behalf of the entrepreneur, his environment and the intermediaries, it was used Cook and Brown's (1999) ideas as an epistemological guide for the classifications of use and possession of knowledge.

The Empirical studies was completed in two phases, the first one to understand the main process how the knowledge can create economic value for the micro and small companies and the second one it is the explanation of the variables and their relations founded in the first phase.

For the first phase to obtain a detailed knowledge of what was happening in the area of economy and the knowledge, it was used as methodology to "collect stories" and to establish theories based on the basis found in the analysis of these Stories (Czarniawska B 2004), three stories were gathered, which are introduced here and they

serve us as a base to speculate a conceptual frame that allows us to study the relationship between knowledge and economic performance in the small size company settling down.

The three stories about small entrepreneurs, that in different contexts, they carried out their works with different results, and describes personal knowledge of entrepreneurs, the relationship with the government and non government institutions, the role of brokers in knowledge administration and the economic results starting from these knowledge patterns.

For the second phase was conducted a extensive process of interviews with 46 small entrepreneurs, using the methodology to “collect stories” and to establish theories based on the basis found in the analysis of these Stories (Czarniawska B 2004), the result was included in a final history for the analysis of the result, and there it is possible to explain the variables founded in the first stage and also the relations of this variables with the environments.

The Structure of the dissertation follows the distribution presented:

Theoretical Part

The theoretical part is divided into two parts; the first one is an analysis of literature to understand the relationship between Enterprise, Economic performance and Knowledge and it is divided into three parts that are developed separately in Chapters and at the same time flows into a common goal, as we see in this summary:

Chapter 1 Environment: "The generation of wealth generated by the company" has been influenced in recent years by a factor of knowledge, allowing the secondary role that the small size businesses had, change and allow these changes have increased participation in development and economic growth.

Chapter 2 The Purpose: The micro and small size enterprise MISE, definition, classification and factors which justify its existence.

Chapter 3 The Vehicle: "Knowledge and applied management" as the basis of a higher performance for small size businesses.

Each of these paths does not lead to the ultimate goal for developing a knowledge management model that encourages an increase in carrying out these.

The second part of the theoretical analysis is a literature review of Epistemology and Knowledge Management, it was included, because it is impossible to understand and explain the nature of Knowledge in the Micro and small companies without covering the literature of the fundamentals in Knowledge and Knowledge Management. For this purpose, two Chapters are included.

Chapter 4 Epistemology, it is reviewing the major different schools of thought and these main ideas are presented.

Chapter 5 Knowledge Management includes the main models and how it became in a new discipline.

Empirical Part

The Empirical part includes the Methodology and research design, the first phase of the study that is a qualitative study to understand the behavior of the micro and small enterprises considered the relationship between the entrepreneur with his environment, and the use of the knowledge into the economic performance of the company, this phase conclude with a conceptual model to describe the process. The second phase it was developed to explain the results found in the first part and how and why the knowledge is a major factor in the economic performance of the MISE.

Chapter 6 of this dissertation develops on the details of the Research Design and Methodology used for the study. Basically, it was used a qualitative approach using narratives methodology for the design and also for data analysis. To this end I have followed the qualitative research approach from Creswell (2003 & 2005), the narrative methodology from Czarniawska (2004).

Chapter 7 of this dissertation is about the analysis of the data collected on 3 Histories from a very special small entrepreneurship, whose included interviews with environments of these entrepreneurs and mainly the personal histories telling for themselves. To collect the stories it was used the Czarniawska (2004) approach to collect histories from the field and the result were processed and included in a new history for each case plotted and structured for the researcher, also using the Narrative methodology (Czarniawska B 2004). The result of the analysis of the histories it is a theoretical framework to understand the knowledge flow from the different component in the relation between the entrepreneur and his environment and how these knowledge contribute to the economic performance.

Chapter 8 of this dissertation is about the analysis of the data collected in 48 interviews to different micro and small entrepreneurs, grouped in 3 categories using the International Standard Industrial Classification (ISIC), these interviews are treated like a collection of stories from the field and they are analyzed using a narrative approach to build a new history for the micro and small enterprise in order to explain the issues founded in the first part of this study and presented in chapter 4.

Chapter 9 of this dissertation presents the conclusions, theoretical contributions, practical implication, future research, and the limitations of the study.

In the remaining of this Introduction the problem statement, the type of study, the research questions, and the research objectives, are presented.

PROBLEM STATEMENT; the purpose of this Narratives study was to understand and explain how and what knowledge factors affect the economic performance of the micro and small enterprises. Then the study covered the knowledge created by the institutions, like government, banking, market and others and how the entrepreneurs interact with these knowledge using their own knowledge, and also helped for intermediaries who facilitating the understanding and use of the institutional knowledge instruments from the entrepreneurs.

The study of knowledge has been in the last time, subject of research in the economic performance of the enterprises and in the nations. It is in this way that in the studies based on endogenous growth proposed by Paul Romer (1986), they state that the knowledge is an important factor in the economic performance of the enterprises and nations, idea followed and developed by outstanding economists and supported in several studies (Lucas R 1978; Romer P 1994; Barro R 1989; Krugman R 1991). Then, in this way the knowledge is added to the neoclassic factors of capital and of work (Solow R 1956), in all these studies the knowledge is measured in function of the registration of new patents, creation of new products or investment in Research and Development (Cohen & Klepper 1996; Audretsch & Thurik 2000). However, in none of these researches, is characterized or deepened on their knowledge as such, neither in the organization, nor in their workers, even less in the management of knowledge and neither it is studied how this is related to generation of the economic performance, by limiting

only to state its contribution and importance, in terms of magnitude and as result of the knowledge expressed in products, but it has not been studied how knowledge contributes in the economic performance in the enterprise in general.

Considering a particular group of the enterprises, like the case of the small and micro Enterprise, they propose to analyze the economic performance in base of the specific study of the contribution of knowledge as an output factor, as stated by Romer (1986). This motivated then, is the sector of economy that contributes more in terms of production of employment (Irarrázaval et al 2001) and depends on its economic performance how the income of the nations is distributed, therefore in a world where the inequality (Wade R 2001) while studying the factors that influence on the economic performance of the small enterprise is really prominent.

TYPE OF STUDY; The focus is extremely based in the constructivism in which the most important of the research is to understand the use of knowledge and the description of knowledge itself in the entrepreneur of micro and small companies so as to generate better economic performance. That is to say, we must understand the social problem where the entrepreneur generate the meaning starting from their interactions with his environment represented by other agents related to the enterprise, but are also of social character and come from the human group; this is part of the assumptions stated by Crotty(1998) while discussing the constructivism.

In the same way, Crotty (1998) also states that “The meanings are built up by human beings since they strike up with the world that they are interpreting”. In our research, it is necessary to investigate about the “Meaning built up by the entrepreneur” and make questions of open composition so that the entrepreneur can give us their view points.

On the other hand, Schutz (1973) states that it is impossible to understand the human conduct by ignoring their intentions and it is impossible to understand the human intentions without taking into account the contexts in which it makes sense. Those contexts can be institutions, group of practices or some other contexts created by men, contexts having a story in which both the private events and those of the whole history of the individuals can be actors and that have situated in order to be intelligible, this is particularly important in our case where the use of knowledge of the entrepreneur is related to what we have denominated environment and that here Schutz (1973) defines us in a better way like the contexts.

Finally the knowledge in the small Enterprise must be understood starting from the entrepreneur. By participating in their world and giving sense so that the base of their historic and social perspective, in this way, we will situate our research in the control of the entrepreneur to try to understand their interpretations from this context.

Then, while proposing a Constructive focus, we find that the application of a qualitative research is perfectly adjusted in front of this philosophical assumption.

RESEARCH QUESTIONS; Main Question: Which type of knowledge and how the use of knowledge on behalf of the entrepreneur of the small and micro companies in relation with his environment, affect the economic performance of their enterprises?

Secondary Questions of Content: How does the environment affect the use of the entrepreneur knowledge?; Which factors of the knowledge produced by the environment or institutions improve the use of the entrepreneur knowledge? And Which type of knowledge is presented for the different types of small enterprise and how does this affect in the relation with the environments?

RESEARCH OBJECTIVES; once established the importance of the economic sector to be analyzed, the aim of this study will be to explore and explain the use and management of knowledge as a factor of economic performance in the micro and small Enterprise. Undoubtedly, this can be studied from different perspectives, but in this particular case, we will deal with it in two phases.

The first one is an exploratory study that considers the entrepreneur as a solicitor of the small and micro Enterprise and will explore about the use of knowledge that this entrepreneur has in the generation of economic performance for his Enterprise. We will understand that the use of knowledge on behalf of the entrepreneur, implies directly the relation of entrepreneur with his environment, since his knowledge is applied or used in the conditions of his environment, that is to say, for buying, selling, publishing, having access to the bank and financing; for training himself, for doing business, establishing links with suppliers and all related to business management and operation. The environment on the other hand, generates knowledge and this is expressed in rules, norms, dispositions and other instruments which are finally with which the entrepreneur can interact applying the knowledge that he possesses. Then, we will be studying the knowledge management in the small and micro enterprise from the view point of the entrepreneur and his relation with the environment. Having determined in this exploratory study the factors of use of knowledge, the relation with the knowledge created by the environment and how these have an impact in the economic performance of the small and micro enterprise. This first phase of research has been stated as an exploratory study considering that the subject of analysis represents a new field not sufficiently raised up (Babbie E 2004).

In the second phase, it is proposed to investigate the nature of this knowledge, that is to say, to identify the type of knowledge that it is used by the small entrepreneur, how this is effectively used and how is it related to the factors determined in the first phase of the study. In other words, it is an explanatory study of the use of knowledge on behalf of the entrepreneur and its relation with the success factors for the small enterprise. This second phase is very necessary to understand why the policies applied on the first phase, that is to say, on the use of knowledge on behalf of the entrepreneur in their environment are successful or not.

Considerations on the Theoretical Part

The theoretical part develops the main ideas found in scholar literature using two different approaches; the first one is directly related to the main issues of this dissertation including the environment, purpose of the research and the vehicle for doing so. The second part presents an analysis of the theory of knowledge and knowledge management.

The first part is an analysis of literature prepared to understand the relationship between Enterprise, Economic performance and Knowledge and it is divided into three parts that are developed in separate Chapters and at the same time flows into a common goal. Each of these paths does not lead to the ultimate goal of developing a knowledge management model that encourages an increase in carrying out these.

The second part of the theoretical analysis is a literature review of Epistemology and Knowledge Management, it was included because it is impossible to understand and explain the nature of Knowledge in the Micro and small companies without covering the literature of the fundamentals in Knowledge and Knowledge Management.

By introducing the Enterprise, Economic performance and Knowledge analysis, we can say: That the society, at any time irrespective of its nature, must necessarily adopt for its livelihood, an economic system, which provides the basis for generating products and services that provide welfare to this society. This economic system largely defines the performance of individuals within the social system and eventually, along with the beliefs and values, the social system itself.

Based on this definition, I will seek sources of wealth creation for nations, having as a base the enterprises, differentiating these in large, medium and small size, formal and informal, and within them I will identify factors that generate value or wealth, which are in the capital, labour and knowledge.

When wealth has already been generated the problem we face is how to distribute it among members of the social system, in this case the nation. Income distribution has acted as a motivator of work, but it is not the central issue but one consequence of increased economic performance of micro and small size enterprises, hereinafter "MISE". For dealing in how improve the situation in this sector, we will discuss the classifications of the MISE and the factors justifying its existence.

An analysis of the causes of poor performance and few opportunities for the development of MISE, will enable us to articulate a solution based on a model of knowledge management, which will include a deep analysis of existing theories and models, thus work is structured since its foundation in Greek designing respect knowledge, and then establish the role of personal knowledge and theories of organizational knowledge, categorized into three levels: institutional, organizational and personnel in each category will apply the validity of the foundations of tacit knowledge

and explicit knowledge in human beings, organizational learning, individual or organizational knowledge.

It will be used as tools for generating integrated solutions of knowledge on these three levels, complementary tools such as communities of practice, human capital and innovation based on models of knowledge and innovative organization.

THEORETICAL PART

CHAPTER 1

1. THE ENVIRONMENT: "THE COMPANY AS A GENERATOR OF WEALTH AND GROWTH"

The environment includes as global topics economic growth, Performance factors, Business size and income distribution, which are presented in Figure # 1.

The story of humanity distinguishes different stages of economic organization, starting with organizations of hunters, gatherers and fishermen.

"The savage nations of hunters and fishers" (Smith A [1776] 1904)

We can settle this kind of organization into the origins of the economy and precursor of organizations based in handicrafts and agriculture.

However, in the feudal era, from century fifth ahead with heyday in the Illustration from X century to XII century, it can be distinguished that agriculture was virtually impossible for any form of trade and it is distinguished by vassalage and absolute dependence of fief; industry instead located in cities, is based on craft work and can be characterized by the first examples of organizing of small businesses associated in cooperatives with exclusive production of certain products and shaped by the small businessman or craftsman (master), his assistants and apprentices under strict labour control of municipal officers (Vinogradoff P 1924).

The Middle Ages and modern times maintains the hierarchy of feudalism, however appear forms of states even though there are many rules and privileges for the powerful ones, there is an opening to freedom and individuals rights. The effect on the economy is reflected in agriculture from the point of view that even with restrictions on land ownership, eliminating the servants and allowing the rent of land for cultivation on advantageous terms which along with demographic phenomena allows an incipient trade and the first companies based on the marketing of agricultural products. The industry follows the pattern of cooperative organizations or associations controlled by the authority and prices fixed by this, which was developed in feudalism, however legal social changes especially in the modern world, with the creation of states, these guilds were submitted to the discretion of the state and it was created oligarchies among the craftsmen. At the same time it introduces the effect of capital to invest in parallel with

other businesses with rural workforce and with a view to export, phenomenon known as "verlagsystem" or manufacturer merchant. (Denys H 1966)

Even in areas we have described we have evidence of companies and economic organizations of capitalist nature, this is situated according to Weber (1958) after the Calvinist reform in the mid-sixteenth century.

"The connection of the spirit of modern economic life with the rational ethics of ascetic Protestantism" (Weber M 1958)

At the root of capitalism cannot exclude the importance of Adam Smith ([1776] 1904) whom that for many, he described the foundation of the doctrine, which due to its importance I will mention it in the next chapter.

The concept of modern enterprise and the beginnings of economic theory, arise after this season, also streamline the rules by which management and development firms.

"A rational capitalistic enterprise is one with capital accounting, according to the methods of modern bookkeeping and the striking of a balance". (Weber M 1958)

Banks and financial institutions were the first companies that operated under the principle of capitalism and can be considered as such. After the implementation of elements of technology and the use of capital appear modern enterprises and they are becoming more and more important in the economy of nations.

In the United States the emergence of the company is settled since 1850, before there were small size businesses run by family interests and in an unstructured manner. The distinction of the new American company is regarding professional administration and the administrative structure of the company.

"The two or three men responsible for the destiny of a single enterprise handled all its basic activities - economic and administrative, operational and entrepreneurial" (Chandler Jr. A 1969)

1.1 THE WEALTH OF NATIONS

In 1776 Adam Smith ([1776] 1904) published his great book *An Inquiry into the Nature and Causes of the Wealth of Nations*, which itself is a study about the creation of wealth.

The issue had already been studied by the mercantilist, like Montaigne, Laffemas and Colbert, who argued that the wealth derived from a favorable balance of trade and by physiocrats, like Bodin, Boisguilbert, Quesnay and Turgot, whose argument was that wealth came from land , Smith instead argued that wealth came from work. (Spiegel H 1991)

The concept of "laissez faire" implies freedom without interference from the states, taken by Smith ([1776] 1904) from physiocrats, he came to represent a synthesis of ideas and liberal economic policies advocating economic freedom, an end to the discretion of the rulers, Constitutionalism and the absence of government intervention in foreign trade and business practices. The national income is defined, according to Smith ([1776] 1904), by two factors, labour productivity and the proportion in which the work is productive regarding non-productive.

Labour productivity depends mainly on its relationship with the division of labour, which emerges as the most important economic condition to obtain increases in

productivity. This division of labour has to do with that productivity improvement where work is not only specializes in skills, but also because of occupations, functions, businesses and industries. In a larger framework includes the territorial division of labour, the basis for interregional and international trade. (Smith A [1776] 1904)

Productive work is restricted to the concept of production to material goods, which are presumably longer than services. People whose job is not productive, are maintained by others income, and income cease to play, while productive work adds value that is owed to the subject that produces it and therefore reproduces his income. Although the job is unproductive produce an income due to the generosity of payments made by others, does not produce revenue in terms of production. (Smith A [1776] 1904)

As there, is greater division of labour, Smith ([1776] 1904) highlights that the individual's needs are not met directly by their own work. So, most of their needs are achieved through the exchange. It is then that society requires commercial money, to get the goods that they needed for satisfy their needs and they will get them from their own production.

The natural salary for work is the product of work, which, before the possession of land and capital accumulation, belonged entirely to the worker. With the emergence of the class of landowners and capitalists master, they have to share the products with the landowner and employer. (Smith A [1776] 1904)

The capital, according to Smith ([1776] 1904), is a requirement of economic exchange from the division of labour, as individuals do not consume the products of their own work but buy the products of others. The division of labour does not occur without a prior accumulation of capital and as the division occurs, more capital is requires to

incorporate workforce, which grows in quantity and productivity generating at the same time more products.

It is clear from this analysis of Adam Smith ([1776] 1904) ideas that there are key elements from capitalist enterprise, freedom in terms of "laissez faire", the factors of national income, production factors, labour and capital.

1.2 FACTORS FOR WEALTH CREATION

During pre-capitalist era, factors of economic growth and creation of wealth had been analyzed according to the realities of incipient enterprise and mainly from agriculture as the case of physiocrats who argued that wealth came from the use and possession of land, or trade from which the mercantilist argued that the wealth derived from a favorable balance of trade. (Spiegel H 1991).

When capitalism is already at its height these factors change and at mid-eighteenth century, Adam Smith identifies that wealth comes from work. ([1776] 1904)

However, John Locke ([1669] 1998) previously had already described that work was the primary factor.

David Ricardo (1871) also attaches to work quantity the generation of wealth factor when determining the value of commodities.

Even though everyone agrees that for the formation of wealth is essential political and economic freedom, without this is not possible to develop the rest, Milton Friedman goes beyond stressing that people should have full freedom to choose what they want and

the state should facilitate this relationship, then economic freedom is a pre-condition for political freedom. (Friedman M 1962)

1.3 CAPITAL AND LABOUR

We can attribute to Robert Solow (1956) identify the growth factors in the neoclassical economics, capital and labour. In his work on growth highlights the Solow model, which explains that the economy has a production which displays a steady performance in production scale and productivity decreases marginally in the two factors of production: homogeneous work and physical capital.

The importance of the Solow (1956) model as opposed to his predecessors including Every Domar, Roy Harrod, Vasily Leontief and John Von Newman, was the replacement among capital and labour factors, rather than growth models of fixed ratios. (Prescott E 1988)

Growth rates of investment and the workforce, both exogenous to the model, are determined respectively by the savings rate and the rate of population growth. If the rate of investment Rises over the rate of population growth (the workforce), it will increase the capital-labour relationship and growth occurs. (Solow R 1956)

In 1957 Solow conducted a study about growth in the United States, discovering that 80% of this in the product per worker was produced by changes in the technological coefficient and another 20% due the increase in tangible capital per worker. (Solow R 1957).

Subsequent Solow (1969) works show us that growth in recent decades in western countries, of 3.2% it breaks down in 1.1% attributed to the growth factor itself, to 0.5 growths in capital and 0.6% the growth in employment. But the other 2.1% was attributed to the productivity of factors 0.6% to education and 1.5 to knowledge and others.

To explain the above, Solow (1963) indicates that capital is not the only source on increasing growth in productivity and attaches importance though not yet quantified for research, education and public health.

“Capital formation is not the only source of growth in productivity. Investment is at best a necessary condition for growth, surely not a sufficient condition ”(Solow R 1963)

To see the validity of the neoclassical model, we analyze the initial product per capita for a country, and then review the growth of the labour force and the relationship between investment and product growth. The result finds that there is a variation unexplained, it has been called the "residual Solow," and is due to technological change that is not easily specified. In recent years, this variation is a so large scale that arise other alternatives to explain the conditions of growth.

1.4 INNOVATION

Even though in strict discipline innovation is not in itself a factor in economic growth, but rather an expression of the proceeds of factors, it is pertinent to analyze it here, because it provides an important source of growth. In this chapter discusses only the characteristics of innovation in economic growth and not its generation, adoption and

other features which are discussed below in the section on models of knowledge and innovation.

"Clearly, external factors and development do not exhaust the list of influences that produce and shape the economic changes" (Schumpeter J 1935)

In open criticizes models that explain growth based on capital and labour, Schumpeter (1935) says that the world would be quite different if its inhabitants were limited to multiply and save, contemplating changes to its economic life, product of natural facts as well as extra economic activities.

The world is developed as itself, product as well as the continuing efforts of its people to improve their business and productive methods that is to changes in production technique, to conquer new markets, the introduction of new merchandise etc. These historical and irrevocable changes in the procedures followed is what we call innovation and are defined as changes in the production function that cannot be subdivided into infinitesimal stages. (Schumpeter J 1935)

For Schumpeter (1935) economy moves in cycles that are determined by the depletion of the same economic business practices and the emergence of innovations that will replace them he identified cycles according their duration and he name them with the names of the most influential economists in his work, Kondratieff for cycles from 40 to 50 years, Juglar cycle for those cycles from 5 to 10 years and Kitchin for those of shorter time. Also subdivided cycles depending on their nature in political and technological, the last ones most associated with long cycles, which each time become less prolonged by the accelerated increase in introducing innovations at present. (Schumpeter J 1954)

In the analysis of both exogenous growth factors treated by Solow (1956), as in analysis of Schumpeter (1935) we find the influence of Simon Kuznets (1973), both in creating models of neoclassical growth, as in the case of identifying innovation as a gravitating element on growth, even though he do not define it and explicitly studies in the six characteristics of economic growth brings, in five of them we find characteristics that define innovation that Schumpeter delivers. Such as the rate of increase in productivity, rate of increase in the structural transformation of the economy, changes in social structure and its ideology, power of technology in developed countries and finally expand the growth to other less developed countries. All these factors are talking about that change, which means innovation, is the key to growth. (Kuznets S 1973)

1.5 THE ECONOMIC KNOWLEDGE

In the last decades changes in the overall growth are not explained by the neoclassical and exogenous growth models, the "Solow residual" cannot explain the differences between reality and models, and technological change that is not easily specified is not able to include differences, in the same way that innovation cannot explain the phenomenon. In the same way neoclassical models were unable to explain why in poor countries with large availability of labour and with possibilities for including capital, growth did not meet the projected performance in the models. (Lucas R 1989, Romer P 1990, Barro R 1989)

In this scenario appear explanations relating to endogenous factors to explain the growth, this is how we find the concepts of Human Capital (Becker G 1976), learning and knowledge (Romer P 1986), as new forms of explaining growth.

The endogenous Growth “distinguishes itself from neoclassical growth for emphasizing that economic growth is an endogenous outcome of an economic system, not the result of forces that impinge from outside” (Romer P 1994)

The concept of knowledge is given by the new and better ways of doing things, as well as ideas, innovation, discoveries and inventions.

Romer (1986) measured it by the quantity of consumer goods produced, a consumer good is the equivalent of one unit of knowledge, when we treat knowledge in depth we can establish that this definition has vagueness and extreme generalization, without diminishing merit to the studies described. In most studies of endogenous growth knowledge is related with research and development (R & D) (Cohen & Klepper 1996), Human Capital or invention patents (Audretsch & Thurik 2000)

Romer (1986) incorporates knowledge as another production factor, which increases the marginal productivity in the enterprise, which also can be accessed by other companies to improve their marginal productivity. Then, this new growth factor is the accessibility of multiple ownership or "not exclusive" (No excludable), as is released for public use since before that innovators capture at least some of the benefits, and also is "no rival" (No rival). After those innovators have captured the initial benefit appears the phenomenon of knowledge overflow or "spillover" Which economists give central importance because this feature allows this factor of production spread to other areas of an industry or through these (Audretsh & Stephan 1999). Therefore knowledge is non-

exclusive, non-rival and can be spread, unlike capital and labour which are usable only in one company at a time, which establishes a growth within the systemic set of economy. (Romer P 1990).

Kenneth Arrow (1962) defines the concept of "Learning by doing", which is taken into the model proposed by Romer (1986 & 1990), where increased production or investment contributes to the productivity of factors. While learning, that allows a company to increase production could increase systematic productivity, through overflow (Krugman P 1991, Audrestch & Stephan 1999) and distribution of knowledge product of learning. A firm that increases its physical capital simultaneously learns how to produce efficiently. This phenomenon of improvement in productivity and increase of physical capital is called "Learning by investing". (Romer P 1986)

Look another way of knowledge, Human Capital, which consists in thinking that people spend on themselves in various ways and they are not only looking for a present satisfaction, but also for a performance in the future, whether pecuniary or not (Becker G 1976). Understanding human capital as an investment and that future performance is used in industry and obviously becomes a growth factor, expressed as knowledge is expressed in the endogenous growth model in several ways. (Becker G et al 1990)

" Whatever the importance of the Human Capital in the original industrial revolution, there is no doubt that rapid improvement in skills is characteristic of its diffusion in the modern world economy " (Lucas R 2004)

1.6 THE SIZE OF THE COMPANY IN GENERATING WEALTH AND GROWTH

1.6.1 THE LARGE ENTERPRISE

The modern industrial enterprise has been increasing its size and organization guided by the need to reduce costs, improve efficiency in production, purchases and sales, improve their products and processes, and allocate efficiently, its resources to meet the challenges of competitiveness. This has been obtained thanks to the introduction of technological and organizational changes that enabled it to achieve economies of scale and scope and reduce transaction costs (Chandler Jr A 1990)

"The critical entrepreneurial act was not the invention- or even the commercialization- of a new or greatly improved product or process. Instead, it was the construction of a plant of the optimal size required to exploit fully the economies of scale or those scope, or both" (Chandler Jr. A 1990)

The role and presence of large firms in generating wealth has been extensively reviewed and empirically tested (Caves R 1982, Teece D 1993, William & Evans 1989), mainly to the early 80's. The evidence is presented in all OECD countries, at the expense of minor importance and performance of both small business and entrepreneurship activities (European Commission 2003)

1.6.2 SMALL SIZE BUSINESS

From the 80, it shows both the activity of entrepreneurship, as the importance of small businesses took on importance and develops important activity as creator of wealth (Acs & Audrestch 1990)

The endogenous factor of knowledge (Romer P 1986), drives to small businesses and allows the creation of opportunity niches, mobility facing market changes and increased availability of products, which provide opportunities to compete and generate wealth. (Audretsh & Thurik 2000)

Then the MISE (Micro and Small Enterprise) from being ignored, becomes the protagonist.

1.7 THE DISTRIBUTION OF INCOME AND INEQUALITY

The inequality in income distribution is a concern in the global economy (Wade R 2001).

Wade argues that the overall distribution is becoming increasingly more and more unequal, becoming the world as a place of Winners and Losers. This inequality has two main components:

- a) The internal distribution of income for each particular country.
- b) The average distribution of income of each country with regard to all countries.

The macroeconomic policies of the Bretton Woods institutions (World Bank, Monetary Fund and World Trade Organization) by Structural Adjustment Programs,

leads to poor countries to change their production structures from import substitution to the domestic market by a policy aimed mainly exporting to rich countries. So there is an oversupply of cheap labour that is exploited by multinationals, while creating greater difference because those who get the greatest benefits are rich countries and the gap grows (Chossudovsky M 1998). These differences have been from three to one in 1820 to seventy to one in 1990 (Maddison A 1995).

The motivation of this work is given to fight this inequality through increasing the performance of the MISE. (Herrera B 2005)

CHAPTER 2

"CHARACTERISTICS OF THE MICRO AND SMALL SIZE"

In reviewing the Object, is considered an analysis on three levels, Organizational where MISE is classified, according to several criteria; Personnel Level where it is characterized the conditions of its managers or entrepreneurs and the institutional dimension which analyses the factors, because The MISE exists and survives. The object map is presented in Figure #2, it presents a conceptual frame for the literature review, where we can distinguish three dimensions, Institutional, Personal and Organizational dimension and the factors related to improve the economic performance.

2.1 ORGANIZATIONAL DIMENSION

That dimension considers the internal management of the company, on the capacities to manage human resources, financial or capital, also the commercial and operational management, strategic planning and business administration, in this dimension most of the micro and small size businesses while aware of the operational management and the creation of its products and services, generally do not have the right tools to manage the rest of the skills needed to achieve better performance (Hill & Jones 1988, Porter M 1975, Irarrázabal et al 2001). Considering this deficiency is relevant to establish a classification of micro and small enterprises since then build differentiation in management at the organizational dimension, as is noted in most studies. (Cabrera et al 2002) Thus the classification will serve as input to the knowledge management model, allowing grouped into the appropriate category and associate solutions.

2.1.1 CLASSIFICATION OF MICRO AND SMALL SIZE BUSINESS

It is important to note that most public policies applied to the sector fail, according to its own benefit, because they do not consider the diversity of companies that comprise this segment, already very extensive. (Cabrera et al 2002)

In fact, the separation between micro and small size enterprise is a natural segmentation and very important. Henceforth we will take into account this fact implicitly, although the proposal for a model of knowledge only will be important in the

specific application of the model in terms of resolving each of the specific problems in each of the sub classifications to be applied.

The existing classifications are varied and can be summarized as:

- a. **Based on the size of economic units** according to the number of workers who work in them.

Stratum	Employees	Annual Sales US\$	Fixed Assets
Micro	1 to 10	1 to 125m	1 to 25m
Small	11 to 50	125m to 1,5M	25m to 300m
Medium	51 to 200	1,5M to 20M	300m to 4M

Table #1 Enterprise Classification (MITINCI, 1996)

There are many other values assigned to the dimensions considered in this classification, which do not mostly differ from MITINCI Perú, reason why we will take this. Among some of the allocations found there are: Fund of Solidarity and Social Investment (FOSIS), Chile, Interamericano de Desarrollo Bank, International Labour Organization, Employment Program Latin America, Ministry of Planning (Mideplan) based on the survey of CASEN Chile and others in several institutions from Latin America. (Irrazabal I et al 2001)

- b. **Based on the potential growth**

Micro enterprise subsistence or survival: They are unstable precarious economic units on their viability, they have low productivity, usually operate below cost, revenues generated are insufficient for their leaders and workers, hours worked are excessive. They

are not involved in business networks with other companies or institutions, are mostly informal, family maintains labour relations, and they are not complying with minimum standards of basic labour rights. These units absorb workforce mostly with primary school education or less, therefore its labour productivity is very low. The means of production used are basic and rudimentary, more tools than equipment, they develop more than one economic activity (production, trade, services, etc.). The organizational business structure is basic: employer and dependents. (MITINCI 1996)

Micro enterprise feasible or accumulation: Are those micro enterprises with growth potential, which can generate surplus income and perspective of development attractive to owners and workers. They can be considered subject to loans and other non-financial services for its stability, growth potential and ability to pay. In this category, there are also relative's labour relations. We deal with business units that meet the minimum requirements of formality, but it isn't mean that meet all, so some may describe as "semi-formal." In some cases, do not comply with some of the labour aspects or with the municipal records. However, their viable or accumulation character determines that their needs have an economical and no social livelihood, while in transit to regulate a formality, proper of its own nature as an emerging company. Its organization is simple, centralized administrative and productively in the owner, and with a family structure. The level of use of financial services is limited, levels of education and training of their workers are greater than in micro enterprise not feasible, but remains a constraint to higher growth. (MITINCI 1996)

Small size business: It is associated with economic development, growth and competitiveness, these companies are economically viable units capable of generating

surpluses, create employment and contribute to the country's competitiveness. There are formal from a taxing, municipal and labour point of view they have an organization with a basic division of labour at the functional and hierarchical level. It is usually the owner who heads the company, there also working family relationships. They use financial and nonfinancial services regularly in order to exploit its advantages. There is a higher level of professionalism in the employer and their employees, and a concern for the training of the workforce. They use basic information technologies; they assimilate into their managing and production procedures the quality issue. (MITINCI 1996)

c. According sector activity

Given the characteristics of micro and small size enterprises, their performance will vary according to sector which are located, highlighting manufacturing, and exploitation of natural resources, commerce, or services. Generally speaking in Latin America, micro enterprises are located mostly in the Trade and Services sector and small enterprises in Trade and Manufacturing. (MITINCI 1996; Irarrazabal I et al 2001; Alvarez & Crespi 2002)

d. According to level of rurality

The Micro and small rural businesses tend to concentrate on exploiting natural resources on a small scale, such as: farming agriculture, farmhouse fisheries and small-scale mining. (Alvarez et al 1999, Irarrazabal I et al 2001)

e. Other classifications are:

According level of formality (formal and informal); According working relationships and or property (family, or extra relatives); According to its participation in the productive

process (integral or specialized) and According intent on working hours (permanent, part time or temporary). (Irarrázabal I et al 2001)

2.2 PERSONNEL DIMENSION

I will take the definition of Irarrázabal (2001), in its explanatory model on the performance of the micro-enterprise, to work aspects of knowledge relating to the personnel dimension. I have considered these as a good summary, which covers most other studies on the subject (Goldmark et al 1997, Davis et al 1993, Mideplan 1998, Yunus M 1997)

Then, according to Irarrázabal (2001), there are three areas that define the Personnel and Management factor that determines the performance of the company, these are entrepreneur personality, Entrepreneur and motivational capacity, at the same time these variable that affect these areas, namely: Entrepreneur Personality, Self-Awareness and self-confidence, Looking ahead, Achievement motivation, Planning Capacity, Persuasion Ability, Entrepreneur Capability, Educational Level, Work experience, Micro enterprise Experience, Motivations, Family Responsibilities and Employment Alternatives

This model is sufficiently explanatory and allows us to relate the knowledge factors associated with each area and its variables.

2.3. INSTITUTIONAL DIMENSION

The existence of small business is related to a number of key factors, which have been exposed by several authors (Porter M 1990, Acs & Audrestch 1990, Caves et al 1975, Cabrera et al 2002), which enabled me to consider, according to my criteria the six most relevant:

2.3.1 EFFICIENT SIZE OPERATION.

When there is an increasing return on the economies of scale, meaning the marginal cost of production is lower than the average cost of production indicates that the company will reach its efficient size operation increasing size and thus is not suitable for small businesses that in this scenario would fail. But when the marginal cost is higher than the average cost indicates that this is a moment where the size of the company becomes an economic problem and small size businesses have comparative advantages. (Stigler G 1958).

2.3.2 INDIVISIBILITY.

The strictness is related to the complexity of each processes or products and how much aggregate investment is required to be produced, that means if to produce final goods requires a great investment small business may not fit within this segment. The division of labour and specialization will occur if the size is adequate, and operating in

the opposite direction of the division of investment, this is that small size business do not subdivided work in the sense of specialization of big ones (Smith A [1776] 1904, Rosen S 1983)

2.3.3 SPECIFIC DEMAND

There is evidence that consumers appreciate the variety of supply, then as the variety increases the specific dimensions of each market is reduced by appealing the participation of small businesses (Caves & Porter 1977). On the other hand the emergence of "specific niches" (Porter M 1979) allows small businesses have real possibilities for strategic position and survive in good way, this creation of specific niches increases in economic conditions that knowledge of the MISE is optimized (Audretsh & Thurik 2001). A third element and very important is concerning publicity, when the advertising effort increases in any market, generates a negative condition for the survival of the MISE (Sutton M 1991)

2.3.4 HETEROGENEITY

In a specific industry, these features are heterogeneously distributed among players, will take different company sizes (Lucas R 1978, Acs & Audrestch 1990)

2.3.5 COST STRUCTURE

In determining the optimum size, the higher level of production required to exhaust economies of greater scale will be the presence of large companies. (Caves et al 1975, Acs & Audrestch 1990) It considered the fixed costs structure.

2.3.6 COMPENSATION SIZE WITH THE BUSINESS STRATEGY

Companies face an issue between static efficiency and flexibility, where small businesses can take advantage in those cases that fluctuations in the market or product enables them to implement business strategies more flexible than larger firms (Mills D 1984, Schumann & Mills 1985, Acs & Audrestch 1990)

2.4 SPECIFIC CONDITIONS

The specific conditions that influence the performance of the MISE, have been analyzed by several works (Acs & Audreststch 1990, Cabrera et al 2002, Villaran et al 2001, Serida et al 2006) and various institutions such as UNDP (United Nation Development Program), The European Monitoring Centre for Small and Medium size Enterprise (EO SME) and GEM (Global Entrepreneurship Monitor), here we will take as a base the GEM (Serida et al 2006) is therefore a good summary of other approaches.

2.4.1 CONDITIONS RELATING TO ENVIRONMENT

Opening to Foreign Trade: in Peru, most companies are oriented to the domestic market (Serida et al 2006) and in most economies of developing countries; however some countries like Chile, Mexico, Honduras, Guatemala have targeted their policies on exports and have opened their frontiers. This has not necessarily resulted in improved opportunities for MISE (MITINCI 1996. Mideplan 1999, Herrera B 2005)

Role of Government and Government Policies: In general governments declare the importance of MISE, mainly for its role in the distribution and generating jobs and at the same time has implemented numerous initiatives to support and improve the management of this sector (MINTICI 1996; EO EMS 2003). The efficiency of these policies is debatable, mainly in developing countries (Irrázabal et al 2001, Alvarez & Crespi, 2003)

Efficiency of financial markets: This is a necessary but not sufficient condition, in terms that does not guarantee success at all for MISE, but its absence is a limiting factor. (Cabrera et al 2002)

Technology transfer, research and development: At the country level technology transfer, research and development plays an important role, At MISE level allows the location of niches in terms of product differentiation (Porter M 1979, Audretsh & Thurik 2001, Alvarez & Crespi, 2003).

Flexibility of labour markets: The neoliberal model advocated greater labour flexibility, arguing that improves the conditions of Employability. In markets where there are low employment opportunities, it tends to have larger number of enterprises, thus

MISE. Latin America shows the increasing trend in this regard, being Peru and Ecuador the countries with most endeavors in the world (Serida et al 2006). But this condition is not necessarily relevant in the performance of the MISE.

Institutionalization: It is presented as order and the functioning of institutions in general. In this study we will understand institutions as a reference frame where we find the government, laws, regulations, control units and regulation, technical, human, educational and financial assistance, competition, support organizations, trade associations and in general the environment for MISE (Porter M 1975, Hill & Jones 1995)

Opening of domestic market: The influence of big business and diversity of business limits the opening of domestic markets; while more domestic opening exists there will be the possibility of having more MISE by the effect of diversity and heterogeneity of the industry (Lucas R 1978, Acs & Audrestch 1990)

Access to physical infrastructure: Markets with restricted access to physical infrastructure facilitate the existence of large companies for the costs of infrastructure (Caves et al 1975, Acs & Audrestch 1990) and MISE only have opportunities in areas of low fixed costs.

Socio cultural norms: The company to be embedded in a social system, depend on its livelihoods of socio cultural norms and abilities to relate in this context, the MISE in general tends to isolate itself from structured union activities and continues and leads to individual or structured behavior based on imitation and informal rules of association for convenience by short-term, which acts against them. (Cabrera et al 2002)

2.4.2 CONDITIONS RELATING TO THE COMPANY

Funding Access: One of the biggest complaints from MISE, is due the limited or no access to financing, in any MISE analysis of performance in anywhere in the world outcry is the same (EO SME 2003, Irarrázabal et al 2001, Cabrera et al 2002) and one of the biggest problems they face in this regard is the selectivity, that means how to be different from their peers to access credit at low cost, proving that the risk factor is small. For most of the MISE this is impossible because selectivity element plays a definitive role against them (Cabrera et al 2002).

Physical Infrastructure: The appearance of physical infrastructure is relevant from the point of view of cost structure and optimal operation sizes. Both define that the MISE develop activities with little requirement for physical infrastructure. (Acs & Audrestch 1990)

Management Skills: Depending on the skills and flexibility with which the MISE face the challenges of market these find opportunities to compete successfully (Mills D 1984, Mills & Schumann 1985. Acs & Audrestch 1990) Overall the MISE presents little chance for competing in this area, in developing countries, mainly by the distribution of possibilities from its managers towards larger business or be employed in large enterprises (Lucas R 1978)

Level and intensity of technology, research and development: The MISE generally does not use much technology and neither invests in research and development. A challenge is to use these tools applied to the company rather than those are dedicated to

these specific activities. It is a fact that as these opportunities are intensified within the MISE they have better conditions to compete (Alvarez & Crespi 2002)

Education and training: A shortfall in developing countries and especially in its MISE. Public policies have focused efforts to improve these aspects; however the results are scarce and must be intensified. Another problem associated, are the long delays that require these policies to achieve results (Villa et al 2001).

Legal and Commercial Infrastructure: aspects of the business-related legal framework and trade, are poorly understood by employers of MISE, generally speaking at the same time they are complex and using tools and languages far away from the common and main patent of their respective business or production systems, that's why an element that facilitate the management of MISE is to simplify these constraints. As an example for opening a business in a developing country requires an average of three months' work and more than 100 different formalities (Cabrera et al 2002)

CHAPTER 3

A KNOWLEDGE MODEL: "Knowledge and its applied management"

Reviewing the model presented in Figure # 3, is considered an analysis of two phases, Model itself starting with its specific conditioning, the process of generating knowledge, tools for managing the model and finally the second phase which is the result of the process that has to do with the use of knowledge, and knowledge is expressed in action and generating innovations.

3.1 KNOWLEDGE GENERATION

In previous chapters we referred to the concept of Economic Knowledge, which has been the basis of economists from Rome to explain the causes of growth that are not covered by exogenous neoclassical models (Lucas R 1988, Krugman P 1991, Romer P 1994, Audretsh & Thurik 2001)

The treatment will be given to knowledge in this section will be much broader and at the same time deeper on an analysis of the theory in use, its breadth, vagueness, contradictions and consensus, to conclude in an adoption of definitions and justification for its applicability in the context. The variety of definitions is almost the only thing that the various authors agree (Cook & Brown 1999, Tsoukas & Vladimirov 2001, Gourlay S 2002)

The study of knowledge will follow the pattern established by the conceptual framework concerning the performance of the Micro and Small size business (MISE), which is:

MISE are social organizations defined with the aim of generating economic performance, embedded in a market of competence, under a regulatory framework and political, social and economic environment. Most are still run by their managers who must manage and apply their knowledge in the described environment and inwards on the competences of their own business patent as well as managing personnel and resources. So this concept of MISE generate us by itself the knowledge requirement of model.

On the other hand, all the procedures, norms, rules and different artifacts generated for the institutions in the MISE environment, are product of Knowledge generation. Then we consider it a knowledge creation.

3.2 BASIC KNOWLEDGE

Knowledge is a loser name and ranks first in a “list of vagueness”, this was the statement that at the first half of last century, was delivered to us by Dewey and Bentley (1949) until today is still valid in terms that does not exist real consensus regarding the term and its scope, this tells us that we would be at a stage to create a paradigm where the failure of existing rules is what serves as a prelude for seeking new ones. The new theory is a direct response to the crisis caused by the non definitions from above (Khun T 1971). In this context we review some definitions of knowledge, to serve as a basis for building our model.

Since the Greeks knowledge has been understood as "One True Justified Faith", stressing that the traditional Western epistemology is given more importance to the fact the "real condition" as the main attribute of knowledge (Nonaka & Takeuchi 1995), however in the construction of Nonaka (1994) argues in this knowledge as a "belief" of a personal nature and emphasizes the "justification" of knowledge. Later, we will discuss the fact that this definition implicates major contradictions in the work of Nonaka, as well as highlights Gurlay (2002).

In current western philosophy the definition of Knowledge has been replaced by "A True Guaranteed Faith" rather than Justified (Klein P.D. 1998), which is important in

the sense that the justification will only depend on appearing reasonable, but may rest on a false assumption and knowledge should be guaranteed and not only justified it, how to guarantee this issue is a discussion among epistemologists (Gourlay S 2002)

While recognizing the vagueness of the term, only through an "effective prolonged investigation" the term "knowledge" would have a place among such matters as:

1 .- The behavior of animals or humans; 2 .- The types of its distribution between knowledgeable, and known and suspected intermediaries; 3 .- The possible knowledge implications as in space and time (Dewey & Bentley 1949). This implication tells us that knowledge has to do with the behavior first, it is produced by brokering between knowledgeable and well-known and is present in space and time. Consistent with this, we can understand knowledge from the perspective of biology as: The actions or effective conducts in a domain that is defined through a question, explicit or implicit that makes an observer (Maturana & Varela 1984).

In more practical terms, relating to the administration and business enterprises, we found that for Davenport & Prusak (1998), knowledge is a fluid mix of framed experience, values, information on the context, and deep experience that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of connoisseurs. In organizations, often fits not only in documents or deposits but also in routines, processes, practices and organization norms. The distinction between data, information and knowledge, has been highlighted in this field of research by several authors (Boisot M 1995, Davenport & Prusak 1998,

Nonaka & Takeuchi 1995, Bell D 1999, Choo W 2006) and it is relevant to take them into account when we talk about the MISE.

3.3 SIMPLIFICATION OR DEMOCRATIZATION OF KNOWLEDGE

An important tool to bring knowledge to more people is to simplify access to it, while improving its use, and John Dewey in 1916 gave us this vision to democratize education. Moreover he linked it with the direct experience of using technology and reconstruction of the experience through reflection. (Dewey J 1916).

In classic examples of tacit knowledge Michael Polanyi (Polanyi M 1962), cites us the fact of riding a bicycle. In this case, Polanyi explains the processes how knowledge is expressed and is considered by many studies (Gourlay S 2001, Cook & Brown 1999), to discuss the existence of tacit knowledge, at this point for me it is interesting to highlight the bike has suffered many changes along the story and the target was simplify its use and get greater potentialities. Therefore the performance of the bike depends not only on the user's knowledge, but also all the efforts made by known designers and manufacturers of bicycles over time.

Another clear example of simplifying knowledge, is the design of manuals for the use of technology, the idea is to minimize the difficulties that most people have in the use of self-education manuals for complex technological devices. Therefore techniques are designed to prevent people from committing errors that are detected and on the other hand increase efficiency in the use of the devices. (Carroll J et al 1987)

3.4 INSTITUTIONAL KNOWLEDGE

The Institutional knowledge in itself is considered another form of organizational knowledge and has not been treated particularly in the theory. Some attempts have been made from the point of the study of policy and regulatory agencies or by alternative paths within the figure of the organization. For the effects of our proposal, this will be enough as it is complemented with the topic of generating the democratization of knowledge and be integrated within the different frame that means institutionalization.

3.5 BROKERING KNOWLEDGE

The concept of Knowledge Brokering was introduced to analyze the use of old knowledge to create new ideas in the innovation field, and was defined as “Companies that act as intermediaries, or brokers, between otherwise disconnected pool of ideas. They used their in-between vantage to spot old ideas that can be used in new places, new ways and new combinations” (Hargadon & Sutton 2000).

In the financial area, Brokering is used to define an intermediary that participates in complex technical aspect to help final customers in financial transactions between sellers and purchasers.

Using both definitions and extending the meaning to relationship between Institutions and MISE, we will define Knowledge Broker as the intermediary between institutions and entrepreneurs that helps them in specific aspects where entrepreneur knowledge is not good enough for being efficient.

3.6 KNOWLEDGE IMITATIVE CREATION

The concept of exploitation and exploration became highly important in competitive strategy (Nelson & Winter 1982). “The exploitation essence is the refinement and extension of exiting competences, technologies and paradigms. Its returns are positive, proximate and predictable” (March J 1991) the exploration on the contrary has uncertain returns, distant and often negatives (March J 1991). The same happens with the basic concept of Innovate and imitate, were innovative process is equivalent to explore, with high demand on resources and it is expensive. Then MISE where resources are not the greatest to run a business the imitation is a key factor. Then create Knowledge to allow entrepreneurs imitate new business will be an important proposal to be investigated.

3.7 KNOWLEDGE IN ACTION

Knowledge as a static process or derived from the epistemologies of possession are not sufficient by itself, in this case requires that this knowledge will generate practical results (Davenport & Prusak 1998) finally reflected in improved performance of the MISE through proposed three-dimensional model.

It will be the effective use of this knowledge, with clear and defined purposes, which will generate the results, (Davenport & Prusak 1998) and has to do more with the epistemology of practice and generative dancing proposed by Cook & Brown (1999).

At the effective application of knowledge, involving all the other manifestations of this, that means creation, transfer, share, store at all three defined levels, so that we can say that we have a manifestation of knowledge in action (Davenport & Prusak 1998)

3.8 ANALYSIS AND CONCLUSIONS

There is not awareness that knowledge is an effective tool to enhance the performance of MISE, even more this is confused with education and training and is diluted in long-term policies.

The MISE is settled in a very broad concept and the solutions presented does not have results, mainly because many times they try to answer the wrong question or because they do not even know what is the question.

The final decision on the methodology to investigate the proposed model, will depend on the conditions to analyze in terms of availability, cost and time. Depending on the depth you want to give the final study.

The MISE is an area that deeply affects social structures of developing countries and is generating employment, and control elements of inequality. So worry about the performance of these is important. From the point of view of knowledge management there is an attractive tool that should not be missed.

CHAPTER 4

EPISTEMOLOGY

In the previous chapter we dealt with different factors of knowledge which are the main tools in the construction of the model proposed, however this work would be incomplete without an analysis of literature on epistemology, which will make possible for us to ascertain in the foundations that will permit to understand in a better way the problem in research. Without this analysis, the work would be incomplete. Starting from the contribution of the ancient Greeks, different schools of thought will be checked and will present their most representative ideas.

4.1. THE KNOWLEDGE OF THE GREEKS OR A “JUSTIFIED TRUE BELIEF”

In the Ancient Greece, cradle of the modern education, the fact of teaching was a valued discipline and many learned people made of this a very important activity and profitable at the same time, they systematized the teaching and spread out the knowledge of some areas of knowing towards their students in a significant way, these teachers were called Sophists. However, beyond praising this marvelous task, the pure philosophers hardly criticized this task mainly for the worldly interests of the Sophists and for getting benefits while conveying knowledge. From here it is developed an interesting debate between philosophers and sophists in relation to the nature of knowledge.

In relation with the sophists we stand out the contribution of Gorgias, Hippias and specially Protagoras who considered the sophistic as an expression of knowledge and defined “The human being is the measurement of all things, of those who are in which they exist and those who are not in which they do not exist” (Plato [369-362 B.C.E.] 1995), precisely he has referred that there is no truth in objective, absolute and universal, but only relative and subjective truths depending on the perception of each person. Considering thus that the knowledge is relative and depends on the perceptions of each individual.

Socrates instead strongly refuted this argument, saying “if the one who has learned something and keeps the memory of it, does not know it; and after having shown that when something has been seen and the eyes have been closed, we remember it even without seeing it, we have inferred, from here, that the same person does not know of what he remembers, which is impossible” this contradicts the opinion that the perception and knowledge or science are the same thing (Plato [369-362 B.C.E.] 1995). Continuing with his mayeutic method, he asked “if is it possible that the same person who knows something, does not know what he knows?”

Then we could say that knowledge is a different thing than sensation. Then we will look for knowledge (science) not in the sensation, but in the name given to soul when it is considered the objects by itself. Then it is a judgment. However, It is not possible, to say that it is all type of judgment, since there are false ones; but I feel that real judgment is knowledge (science), together with explanation (Plato [369-362 B.C.E.] 1995). From here we can say the Knowledge is a “Justified True Belief”.

Plato understood instead that there were different types of knowledge, the “doxa” or opinion, which is the sensitive knowledge of the corporal things and its shadows and reflections (Plato [386-370 B.C.E.] 1995) and the Episteme, that is to say, the scientific knowledge of the reality. Where we find the diainoia or discursive reason of the mathematics and the nóesis or dialectic properly said, that it is the pure knowledge of the ideas.

On the other hand, Aristotle sustained, the knowledge is the terminology of an induction or abstraction process starting from the sensitive factor, a process in which the materials existing in sensitiveness are elaborated by the synthetic activity of the mind in different levels or grades, every time more complex (Aristotle [335-322 B.C.E.] 1988). Explaining these levels, starting from the most basic one, which is the sensation or feeling that in essence is a way of knowing or of truth in the sense of Greek aletheia, which means patience or presence. When we feel, we already have the patience for something, and for this reason, and because all individuals love knowledge; experience or empeiría which is the accumulation of particular memories; art or tékhne which is the practical knowledge on how to do something; here we would classify Maradona’s knowledge, science or episteme which is the theoretic knowledge on the principles and reasons and finally of all categories, the highest is wisdom, which is about principles and reasons of all human beings (Aristotle[335-322 B.C.E.] 1988).

4.2. THE EMPEIRÍA AND THE MIND IN BLANK

Aristotle introduced the concept of Emperia, just as we checked in the previous paragraph and it is the basis for a strong current of thought based on the fact that the knowledge is obtained with experience and observation. Hume ([1751] 2004) said, the knowledge of matters of fact or empiric knowledge. It is based on the observation and experience and it refers to the facts, to all what it is offered to perception. It does not permit a strict knowledge, since it is possible completely different facts to the ones that we have so far experienced (the contrary of any fact is always possible) (Hume D [1751] 2004).

For Aristotle ([335-322 B.C.E.] 1988), knowledge is obtained either by a direct way, with the abstraction of the features which defines a specie or in an indirect way, deducting new data from those already known, according to the rules of logic.

In a different way, the actions and contents of knowledge or perceptions are expressed in ideas and impressions or matters of fact; “All proposals of geometry, algebra and arithmetic belong to the first one, in one word, all those which are or by intuition or can be shown as certain. Instead, it is not established in this way the certainty of things of fact which form the second class of objects on which reason is exercised: no matter how big this certainty can be, is of a different nature. The opposite of each fact is always possible and as never it may imply contradiction, the spirit conceives it so different and so easily as it was real and according to reality. The “Sun” will shine tomorrow”, are two proposals so intelligent and so less contradictory the one as the other true and according to the reality. The reasoning that we do on things of fact, seem that all have as a

foundation the relation of reason and effect. This is the only one that can lead us furthermore from evidence of the senses and of memory” (Hume D [1751] 2004).

The contribution that defines the name of this section comes from the following reflection, “Let us suppose then that the mind is, as we say, a blank paper, lacking of any sign, without any idea. How does it provide of them? From where does it receive all materials of reason and knowledge? To this question I reply with only one word: From experience: it derives on it in last instance” (Locke J [1690] 1979).

4.3. COGITO ERGO SUM OR RATIONALISM

Opposite to the empirical ideas, the rationalism arises, where its main exponent Descartes, tells us that Knowledge is defined in terms of doubt and he made a difference of the two types of knowledge, the rigorous (*scientia*) and conviction (*persuasio*), as follows: “there is conviction when it continues existing a certain reasoning which could make us doubt, but the knowledge is conviction based on a very strong reasoning which can’t be shaken by a stronger reasoning” (Descartes R [1628] 1987).

Spinoza ([1632-1677] 1959) adds to the definition of Descartes’ two levels of knowledge, a third one, the Imagination that is based on senses and its nature is confused and inadequate. As regards to the other types of knowledge, this is Reason, where it is obtained a clear perception of things and its necessary connections; the result is a real knowledge that permits the individual to get a clear representation of his affections converting them into actions. Finally, we have the intuitive Science; here we conceive

things as contained in God. The intuitive science, reason and soul are elevated to God and they know everything as a necessary expression of God (Spinoza B [1632-1677] 1959).

From the rigorous knowledge, we can deduct that what I think is absolutely necessary to be something. “And observing that this truth: cogito ergo sum was so strong and sure that all the most strange assumptions of the skeptics were not able to undermine them, you must consider that he could admit it as the first principle of philosophy that he was looking for” (Descartes R [1637] 1998).

Through knowledge the individual is released of the servitude of passions and he becomes autonomous, active and aware of himself experiencing happiness (Spinoza B [1632-1677] 1959).

Leibniz ([1703] 1992) distinguishes as principle of knowledge the contradiction and not contradiction. Within this first classification we have foundation of truths of reason and it constitutes the limit of the divine absolute power. The world is contingent and is formed by human beings and of contingent actions. There is in virtue of a free decision of divine will and it is the result of an election between different possible worlds. The world can be described as a group of proposals of fact (possible but not necessary) and its foundation is the principle of sufficient reason: all what exist or happen has a reason to exist or happen, since on the contrary it would not exist or would not happen. Instead the logical principles and mathematics are necessary truths for God and for the human reason and they are founded in the principle of not contradiction. The reason is known anticipated, at the margin of experience (Leibniz G [1703] 1992).

The search of knowledge is expressed not by intuition, but it is methodological and “In this way I understand as method the certain and easy rules through which the

person who exactly observe them would never take anything false by true and not using in a useless way any effort of mind, but increasing always gradually its science, he will come to the real knowledge of all what he is capable". This includes four basic rules: Evidence Rule: "Never admit as true anything without knowing with evidence that it was: that is to say, to carefully avoid the precipitation and prevention and not understand in my judgment nothing else than what it is clearly presented and in a different way to my spirit which I had no occasion to doubt it"; Analysis Rule: "To divide each of the difficulties examined in many places as it was possible and as required to solve them in a better way"; Synthesis Rule; "The third one, in leading in order my thoughts, starting from the simplest and easiest objects that I know in order to ascend by and by, as per grades, up to the knowledge of the most composed, assuming even an order among those which are naturally preceded ones another"; finally the Proved Rule; "And the last, in reckoning all in a complete way and carrying out general revisions that could be sure of not omitting anything" (Descartes R [1628] 1987).

4.4. CRITICISM OF THE SIMPLE REASON

Kant ([1781] 1950) proposes to analyze the empiristic and the rationalism and concluded that any one by itself is incomplete, and then he refunded a new idea called, critical philosophy or criticism of the simple reason. Let us start with the following reflection, the "intuitions without concepts are blind, concepts without intuitions are empty".

Both schools can be complementary; Starting with the negative, in both cases the rationalistic shows their theories based on dogmas where analysis of “rational” nature is not admitted based on experience, since these foundations are based on divinity or the “simple reason” without simple nature nor necessary; The empiristic, on the other hand refer to observations starting from which they make empirical generalizations pretending with this to describe the reality itself. In the case of knowledge developed only based on one concept without roots in experience and senses, otherwise it could be possible without the development of concepts and only based on experience, without any doubt I feel that none of the two are possible by itself (Kant I [1781] 1950).

Trying to explain the human knowledge, the replies with rational or empiristic focus that would be in a sort of matter of knowledge already existing and that they wanted to find in our senses and the others in our understanding, since the impressions linked are experiences and the innate ideas, rational knowledge. In both the cases it is assumed the knowledge to the way of a clear fact, but still without explanation. And considering that if we explain the fact of human knowledge, this is, to realize the conditions by which it proceeds, comes before the fact of the said knowledge and it continues that the same must be placed prior to all effective knowledge. They function as what it condition to the non/conditioned, but at the same time, they can't be other than unconditioned, simply for not referring to ad infinitum in the explanation. Kant ([1781] 1950) called it transcendental this assumed of knowledge.

The faculties of knowing, that is to say the principles and categories a priori and to outline the limit to where they reach, that is to say the sensitive experience, define us a theoretic foundation of knowledge that, however, it is only a way of what finally

considers essential in all reasoning: the faculty of the practical simple reason (Kant I [1781] 1950).

4.5. PRAGMATISM OR A WAY OF THINKING

Pierce ([1931] 1958) referred to the Pragmatism as the principle that all theoretic judgment expressed in a sentence in an indicative way is a confused way of thought, whose only meaning, if it has, is in its tolerance to reinforce a maximum corresponding practice, expressed as a conditional sentence having its apodosis in the imperative way”. “You must consider which effects which could conceivably have a practical approach that has the object of our conception. Well, our conception of these effects is the whole of our conception of the object” (Marías J, 1958).

The whole function of philosophy should be to find out what defined difference will make for you and for me in defined times of our life, that this or that formula of the world is the real one”. This pragmatism is not new: its background are Socrates and Aristotle, Locke, Berkeley; is the empirical attitude, but in a more radical way and can be less objected; it means to keep apart from abstraction and insufficiency, of verbal solutions, the anticipated bad reasons, the fixed principles, the closed systems, the assumed absolutes and origins and to go back towards concretion and adaptation, the facts, the action and power. In any case I understand pragmatism as a way of thinking instead of a real philosophic theory (James W 1907).

The thought, “is nothing else but a natural organic process (this is its naturalism”). Nevertheless, it is not one more process, but it is the highest developed way of the

relation of the body with its environments”. “Therefore, the thought is instrumental, it has a practical function. It is not possible to understand it in any time as an activity that pretends to know the reality by the simple reason of knowing it. When we know it, there is always an instrumental motivation that explains its development and its internal logic. Therefore, it does not admit that the thought is only a result of a group of sensitive impressions – as empirism wants-, nor the constitution of something called “conscience” as post kantism says- not even less, the expression of an “Absolute Spirit” –Hegelianism- “. Notion that I some time wrongly admitted in my youth. (Dewey J 1910).

In front of conception of metaphysics as an enigma solved with a word or principle, each word must give its effective value (cash-value): is less a solution that one more work program and overall an indication of how can the existing realities be changed. “The theories are thus instruments, not replies to enigmas, in which we can rely on”. Pragmatism understood in this way has no dogmas or doctrines; it is a method, consequences, facts”. The speeches of the trainers are essentially pragmatic, since their theories are nothing else than instruments put in action for reaching an achievement, in this case to win games. (James W 1907).

This conception of thinking –purely as activity- justifies the “need of proving the thought through the action if we want this to be converted into knowledge”. While distinguishing in this way between thought and knowledge, we admit that to think and know are separate actions; that are to say, that it is possible to think without therefore getting knowledge. But above all it is implicitly accepted that knowledge is not founded in truth, but it is founded in validity or utility (Dewey J 1910).

Let us consider an example of the case of learning and knowledge itself, in school students it is; the opposite of Locke's ideas ([1690] 1979), children do not get to school as clean whiteboards in which teachers could write their lessons of civilization. When the child gets to school "he is already completely active and the duty of education consists in taking this activity and guides it". When the child starts going to school, he carries with him four innate impulses, of communicating, of constructing, of finding out and of expressing himself in a more accurate way" – that constitute the "natural resources", the capital to invest, from which exercise depends the active growth of the child" (Dewey J 1899).

4.6. THE NERVOUS SYSTEM AND THE LANGUAGE

A biological approach for Knowledge was given by Maturana and Varela (1984), considering the knowledge a behavior of the alive beings. For them the living human beings adopt different behaviors that the nervous system permits to expand them while doting the bodies of extremely versatile and plastic structures.

The knowledge also is related to a context, "the knowledge every time we observe an effective (or adequate) behavior in a stated context, that is to say, in a dominion that we define with an (explicit or implicit) question made by us as observers". But Knowledge does it have not relation only with the definition of the observer, since both the question as well as the reply are related to the nature of the observer and the one who is observed, assuming that both are living human beings, it will be their nervous system the one which determines while participating in two complementary ways in the

cognitive phenomena, “the first and most obvious is through the extension of power of possible states of the body that comes from the enormous diversity of sense motor configurations that the nervous system can allow and that it is the key of its participation when the body operates”. The second, is through the opening of the body for new dimensions of structural connection while making possible in the body the association of a great diversity of internal states with the diversity of interactions that this can allow to come in”. Then, in this case it does not only depend on the definition of the observer, but on the replies delivered by the capacities of the individual nervous systems of generating new phenomena that permits new dimensions in the structural connections (Maturana & Varela 1984).

The relation between knowledge and the language, is explained as two or more bodies while interacting generate a social coupling, the conducts given in this power of social coupling are communicative and can be innate or acquired and in this way the linguistics is an ontogenic¹ communicative conduct, that is to say it is given in an ontogenic structural coupling among bodies and that in an observer can be described in semantic terms. Then the linguistic power is the power of all the linguistic conducts of a body. It is said then that we operate in the language when an observer sees that we have as an objective of our linguistic distinctions elements of our linguistic power. The key feature of the human language is that it permits to describe ourselves and our circumstances (Maturana & Varela 1984).

Polanyi (1962) pointed out, the language makes the distinction with respect to knowledge of human beings and animals, “The intellectual superiority of the individual is almost entirely due to the use of language and it must therefore be due to the pre-

linguistic advantages. With all if we exclude the linguistic tracks, we find that the individuals follow only the unarticulated faculties –the potentials – by which the individual surpasses animals and from which, by speaking, it can be explained the full intellectual superiority of the individual, are in itself almost imperceptible”.

4.7. THE TACIT DIMENSION

The basement for the most relevant models applied in Knowledge management came from the studies about the tacit dimension conducted by Michael Polanyi (1967), the phrase “we can know more than we can tell” resulted in many proposals of Knowledge management approaches, some of them very valuables and others very controversial for misunderstanding the meaning of tacit knowing.

To understand the Polanyi (1962) ideas, we analyzed the basic principles like, “The great increase of mental powers are derived from acquisition formal instruments supporting thought also in a peculiar contrast with the facts that show the penetrating participation of the person who knows in the act of knowing in virtue of an art which is essentially unarticulated. The two aspects which are in conflict of formalized intelligence can be reconciled if we assume that the articulation continues being also incomplete; that our articulated elocutions can never replace and must continue trusting in such deft acts of intelligence as we had once in common with the monkeys (chimpanzees) of our age”.

Talking about the tacit knowledge, we are in general analyzing actions of the human behavior and it is derived from this that we can’t explain, but it is not in itself what we can’t explain. We must consider the tacit knowledge has two terms, “a

functional relation between two terms of tacit knowledge: we know the first term only trusting in our knowledge of himself to assist the second one”. In many ways the first term of this relation will prove to be nearer to us and the Second one is farther”, using the language of anatomy. We call the first one “proximal” and to the second one “distal”, is the proximal, the term of which we have knowledge and that we are not able to speak about it”. “In general we can say, that we are aware of the proximal term of an act of tacit knowledge in front of its distal term, this will be called by us the phenomenal structure of the tacit knowledge“, we will call this the semantic aspect of the tacit knowledge (Polanyi M 1967).

Finally, from the three aspects of the tacit knowledge that I have defined so far, the functional, the phenomenal and the semantic – we can deduct a fourth aspect which says us that the tacit knowledge is a knowledge. This will represent its ontologic aspect (Polanyi M 1967)

Going back to Tacit Knowledge in administrative sciences, Tsoukas (2002) said, Nonaka and Takeuchi’s Work more than anybody “has helped to make popular the concept of “tacit knowledge”, in the administration studies and has been adopted by the majority of the authors in administration (see for example, Ambrosini and Bowman, 2001; Baumard, 1999, Boisot, 1995; Daveport and Prusak, 1998; Devlin, 1999, Dixon, 2000, Leonard and Sensipir, 1998; Spender, 1996; Von Krogh et al, 2000)”. However, has been misinterpreted, “generally, the tacit knowledge has been conceived as the opposition to the explicit knowledge, as it is simply its total opposition. As a result of this misunderstanding, the nature of organizational knowledge and its relation with the

abilities of the individuals and social context has been understood in the wrong way” (Tsoukas H 2002).

Nonaka and Takeuchi (1995) assumed that tacit knowledge is the knowledge-not-yet-articulated: it is a system of incorporated rules in an activity in which an actor is involved, which is a question of time for him/her, first to know it and then make it. For Polanyi instead, the tacit knowledge is expressed in doing it, starting from the term that motivates the action and the action itself, from the point of view in an expression of explicit or articulated knowledge in which the tacit knowledge is present. (Tsoukas H 2002).

4.8 PERSONAL KNOWLEDGE

The Individual knowledge nature comes since a long time ago and relates to the interpretations of Cartesian of knowledge and the nature of membership of the same (Tsoukas & Vladimirov 2001). This means that knowledge belongs to someone and that is what is known as epistemology of possession (Cook & Brown 1999). However, the great contribution on the personal characteristics of knowledge, assigned to Michael Polanyi's (1962) work of especially "Personal Knowledge", in which work is difficult to find definitions of knowledge, both in general and also its personal connotation; This work delivers us a significant analysis and among other highlights that: "All knowing is personal knowing - participation in through in dwelling" (Polanyi M 1962)

The distinguishing feature of the MISE, is that are managed by a single entrepreneur, in which depends the success or failure of the company (Irrázabal et al

2001, Cabrera et al 2002). Then an analysis of personal knowledge is relevant, generally has been focused on the entrepreneur educational level (Dewey J 1916) and public policies are geared to improve this aspect, although that is relevant is not the only and in itself does not represents the solution, and less in the short term.

For a deeper analysis on the nature of personal knowledge, Polanyi (1967) introduces us to the implied dimension, indicating that there is a world where knowledge is explicit and codifiable, and another in which there is a tacit world in which underlies not know codifiable or expressible in another way than to do (Polanyi M 1967). Numerous theories have emerged from this definition of Polanyi and generally do not collect the true sense of its author, for more information see Gourlay (2001). The useful thing is there is a debate about the foundation for knowledge theory, allowing better understanding of knowledge characteristics to create, transfer, share and use it eventually, in this sense the work of Nonaka and Takeuchi (1995) Represents a remarkable contribution to the study of the creation of knowledge, however has some incomplete or incorrect interpretations of the arguments of Polanyi (in Gourlay S 2001). In this sense Cook & Brown (1999), offer us a more comprehensive framework of this.

The vision of the Japanese men in this regard is also interesting to consider, as it approaches to knowledge from a relationship with the environment, nature, the community and in general terms from an integrative vision between the human being and the environment with others, also between body and mind (Nonaka & Takeuchi 1995).

4.9 THE KNOWLEDGE AND THE ORGANIZATION

Tsoukas and Valdimirou (2001) defines, “The capacity of the members of an organization to make distinctions in the process of making their works in concrete particular contexts, while establishing the group of generalizations whose application depend on the collective comprehension historically developed, is what we will understand by organizational knowledge.

If we well accept that the knowledge in epistemology of Cook and Brown’s (1999) possession is intrinsic personal, while being this a reply to questions made by an observer in a defined context, it is only given in a social context, that is to say the knowledge is given by the rest, while validating the replies in the context (Maturana H & Varela F 1984).

In essence the knowledge is collective, on one hand since the individuals take possession of the available knowledge and in this way they expand their lists of knowledge and on the other hand, this organized knowledge in determined contexts becomes organizational and can be then administered (Wittgenstein L 1958).

The organizational knowledge is the essence of the signature, forming a distinctive element and that is more than the sum of knowledge of the workers and it is not transferred to other companies (Kay J 1993).

4.10 OBJECTIVE KNOWLEDGE OR THE SCIENTIFIC KNOWING

From the discussion between philosophers and sophists, it has been characterized the differences between the scientific knowledge and other types of knowledge, we analyze then the characteristics of this scientific knowledge.

Meno asked to Socrates (in Plato [389-385 B.C.E.] 1995), which principle will guide him in finding out things that you completely ignore? And even when he found the virtue, how would him recognize it if he have never known it? Socrates' answer was, Look now how fertile in questions is the subject that you have just stated. According to him, it is not possible for the individual to find out what he knows, nor what he does not know. He won't find out what he know, because he knows it already, and for the same reason, he has no need to find out; nor he will find out what he does not know, because he does not know what he has to find out. Socrates continued, as everything is linked in nature and the soul has learned everything, we can, remembering only one thing, to which individuals call to learn, to find in itself all the rest, provided he has courage and does not get tired in his investigations. In effect, all what is called to look for and to learn, is nothing else than to remember.

This contradiction was never explained properly throughout the years. However, in the tacit dimension we find a reply that solves the paradox. Socrates has stated that if all knowledge is explicit, that is to say, capable of being clearly stated, then we can't recognize a problem or look for its solution, on the contrary, if the problem exists and we can find out how to solve it, we can know an important thing that we can't express. Then, if we have no explicit knowledge on unknown things, then we would not have an

explicit justification of a scientific truth, but while applying a judgment based on the foundations of tacit knowledge, this contradiction is solved. Therefore, in each scientific truth it is implicit the tacit knowledge of the researcher (Polanyi M 1967).

Popper (1934) pointed out, the scientific knowledge does not progress by confirming new laws, but rejecting laws that contradict the experience. The process for this rejection will be called by us falseness. The criteria of setting the limits can be defined then as a capacity of a proposal of being refuted or making false. Then it will be only admitted as scientific proposals those for which are conceptually possible an experiment or a remark that will contradict them. Even though we can't justify in a rational way our theories not even prove that they are probable, we can criticize them in a rational and objective way, looking for and eliminating mistakes in service of truth, distinguishing thus among better and worse theories.

The traditional theories of knowledge are of subjective nature since they are founded in certainty, I instead propose the theory of objective knowledge, or of the knowledge without cognoscente subject where the knowledge does not consist in the problem of how we found certainty or truth, but mostly in how science is developed and increased: as a guess, that in a way of hypothesis are presented as tentative solutions to problems, together with critical arguments and attempts to subject them to proof to reject its falseness (Popper K 1972).

CHAPTER 5

KNOWLEDGE MANAGEMENT: “THE DILIGENCE OF KNOWLEDGE”

5.1 THE CLASSICAL FOCUS

At the beginning of 90 a small group of experts spoke and wrote on this subject and when the companies had a good result in their information, did not have good results in their productivity or innovation. Then in 1993 we organized in Boston the first conference where they dealt with these subjects making difference between data and information from knowledge (Prusak L 2001).

Then we could situate the initiation at the beginning of the 90s, but the background of the diligence of knowledge come from two ways. The Intellectual one starting from the economic field where Kennet Arrow (1962 cited in Prusak 2001) gives his transcendental contribution in “Learning by Doing”, from Sociology in the definition of the postindustrial society based on Daniell Dell’s knowledge; the “Social Events” of Emile Durkheim that insides in the diligence of knowledge and of philosophy and psychology with the differences between tacit and explicit knowledge, “Know how” and “Know what”, fundamental definition stated firstly by Aristotle. From Practice, three movements have had the greatest importance; these are the administration of information, the movement of the Quality and the movement over human capital (Prusak L 2001).

A definition come from there, “It is to investigate the knowledge of an organization through the systematic and organized process of acquisition, organization, sustenance, application, sharing and renewing the fact of knowing so as to create value for the organization” (Davenport T & Prusak L 2001).

More or less there is consensus in the authors of the first generation of the diligence of knowledge that this includes the processes of Generation of Knowledge, Code of Knowledge, Transference of Knowledge and some authors add the use of knowledge (Koenig M 2002).

5.1.1 THE SPIRAL OF KNOWLEDGE

Nonaka and Takeuchi (1995) are recognized as the most relevant contribution to the Knowledge management development, they proposed the process of creating knowledge and the spiral of knowledge through the SECI model.

For them, the knowledge becomes tacit and explicit and its combinations starting from the tacit to tacit following the process of socialization. The process of articulating the tacit knowledge to explicit is called externalization and it takes the form of metaphors, analogies, concepts, hypothesis or models (Nonaka I & Takeuchi H 1995).

The fact of converting implicit knowledge into explicit is called combination and it is founding this case in several expressions of that explicit knowledge. Finally, the model considers the conversion of explicit knowledge into tacit, to which we call internalization, this is tightly related to the concept of “learning doing” and it is when the

experiences of externalization, socialization and combination turn to the individual and are converted into tacit knowledge (Nonaka I & Takeuchi H 1995).

By passing each of these ways of knowledge to the following and from the individual ambit to the organizational, it goes creating a spiral wave called by us the spiral of organizational knowledge and it is a process of creation of knowledge.

Using this base proposed for Nonaka and Takeuchi (1995), result a model of five phases for the process of creation of organizational knowledge including sharing tacit knowledge, creating concepts, justifying the concepts, and building a prototype and cross of knowledge among the levels of the organization, for then coming back to the spiral process to share tacit knowledge.

5.1.2 THE GENERATIVE DANCE

After Nonaka and Takeuchi (1995) model, many researches can be criticized how they misunderstood the concept of tacit knowledge, then a new point of view came out.

However, as it stated in the discussion of the tacit knowledge it exists a discrepancy in relation to the traditional comprehension of nature of knowledge, over the base of epistemology of possession and epistemology of practice, analyzing the case proposed or the generative dance between the organizational knowledge and the organizational knowing (Cook S & Brown JS 1999).

A correct Metaphor, dealing with epistemology of possession we will distinguish four basic ways of knowledge which form an arrangement of two per two dimensions, in the rows of explicit and tacit knowledge and in the columns of individual and group

knowledge. In this way, we will have the four combinations among these dimensions, in the first case we have things that individuals can know, learn and express explicitly and we have as concepts, rules, equations as examples which are presented in an explicit way and they are typically known by the individuals. In the following group we have those things which are typically used, expressed or transferred in a group, this included histories on how a work has been made or failures or famous successes, also how the use of metaphors or sentences that have a meaning that is used by a specific group; in this case a good example are the harangues before starting the game of the type “we have to give our life” which are metaphors of common use in the collective sports and for the group have the meaning that they must play putting their maximum effort and not permitting their rival to surpass them. In the third case, we find the tacit knowledge of the individuals expressed in abilities in making use of the concepts, rules and/or equations or a sensitiveness in the proper use of a tool. Finally, in the fourth case we find the tacit knowledge possessed by the groups, even when each one has a daily experience in this way of knowledge is the most difficult to define, for this purpose the concept will be expanded so as to be a generic classification that will provide a frame in which they give a meaning to a thing (Cook S & brown JS 1999).

However, these definitions that establish the epistemology of possession are not enough, the following step is to add the fact of knowing to knowledge, the individuals and groups make use of knowledge in the interaction with objects and activities of the physical and social world. In this context to add the knowing to knowledge, we can start to understand the relation between what we know and what we do and in this way we can see how it will be created the new knowing and knowledge. The knowing does not act in

a static way over knowledge, but it is a dynamic relation in the understanding that the knowing is an aspect of the interaction with the world. Each of the ways of knowledge is in game by the knowing when the knowledge is used as a tool of interaction with the world (Cook S & Brown JS 1999).

5.1.3 THE LOGIC OF INTERROGATION

This approach came from John Dewey (1910), he said the creation of knowledge and the fact of learning, have a structure based on the understanding of the complex actions of thought as a logical process. This process has five steps:

First, there is a condition of perplexity or sense of difficulty, in relation to some matters or events.

Second, we try to locate and define this perplexity, usually in the way of a problem well done

Third, we suggest a possible solution

Fourth, we develop the arguments of the supports of this suggestion.

Fifth, we observe and carry out the experiments that lead to the acceptance or rejection of the suggestion, this is, we conclude believing or not believing in the suggestion. (Dewey J 1910)

It is important to consider that the pragmatic focus does not aim to establish the truth as an objective, but it is a functional tool to the purposes pursued (Dewey J 1910).

5.1.4 THE CYNEFIN

The Cynefin is a word of Galles that would be literally translated into English as a habitat or place where one can make justice. It is understood more correctly as the place of our multiple affiliations, in the sense that all, individually and collectively have many cultures, religious, geographic, tribal roots, and so on. We could never be completely informed of the nature of those affiliations, but they have a great influence in what we are. The name tries to remind us that all the human interactions have a strong influence and are frequently determined by the patterns of our multiple experiences, both with the direct influence of the personal experience and with the collective experience expressed as stories (Kurtz C & Snowden D 2003).

Cynefin's model was originated in the practice of the diligence of knowledge as a means of distinguishing among the formal and informal communities and as means to speak of the interaction of the structured processes and of the uncertain conditions. Now it has been diffused its use in the diligence of knowledge being used by our group for several years in the research of consultancy and of action in the diligence of knowledge for making politics, for product, the creation of market and qualifications.

We are now starting to apply it in the areas of leadership, of management, of the relation with client and of the management of the chain of source with other subjects to come.

It has also been used by other companies and researchers. The Cynefin is considered as a frame to detect-elaborate, which means that its value is not much in the logical discussions or empiric verifications as in effect in the abilities of detection-elaboration and in the taking of decisions of those who use it. We have found that it helps to the new constructions of great scope where it is possible to utilize to emphasize a great range of troubles that are not specified. It also helps people to exploit in the old way of thought and to consider problems unsurpassable as new approaches. The frame or scheme is particularly useful in the collective detection-elaboration in which it is designed to allow that the shared understanding can emerge with the multiple speeches of the group of the taking of decision (Kurtz C & Snowden D 2003).

Cynefin have five powers, four of them are named and a fifth central area that is the power of disorder. The powers of the right side are of order and the left powers are of disorder.

1. Ordered Power: Reason and known effects. Here, the reason and the relations of the effect are generally on line, empiric in nature and they are not open in the conflict. The ability for repeating is permitted so that the prophetic models are created and the objectivity is such that any reasonable person would accept the urgencies in the best practice. This is the power of re-engineering of process in which the knowledge is captured and is inserted in structured processes so as to assure consistency. The focus is in efficiency.

2. Ordered Power: Reason and effects of known matters. Meanwhile the reason and the stable relations of the effect exist in the power, they can't be known completely or can be known only by a limited group of people. The relations become separate generally

in a certain term and space in the chains that are difficult to understand them fully. All in this power is capable of moving into the known power. This is the power of the systems that they think, the organization that learns and the company which can adapt which are often very much confused with theory of complexity, in this power the experiment, judgment, exploratory of experts and survey-statement are appropriate. This is the power of methodology that tries to identify.

3. Disordered Power: Complex relations. This is the power of theory of complexity that studies how the patterns emerge with the interaction of many agents. There is reason and relations of effect among the agents, but the number of agents and the number of relations challenge the classification or analytical techniques. The unexpected patterns can be perceived but can't be forecasted; we call this phenomenon retrospective coherence. In this space, the structured methods derived from such coherent retrospective patterns and code them in procedures will face only new and diverse patterns for which they are prepared disease.

4. Disordered Power: Chaos. In the first three powers we have described that there are visible relations between reason and effect. In the chaotic power there are no such perceptible relations and the system is turbulent, we have no time for investigating change⁸ that applies the best practice that we are that probably precipitated the chaos in the first place, there is nothing to analyze and wait for the patterns to emerge is just a waste of time

The power of disorder; the central power of the disorder is critical for the conflict understood among the responsible people who see the same situation from different points of view. Often in a group who uses the Cynefin's frame, people agree on what the

extremes mean of the four powers in the context that she is considering, but differs on the most subtle differences near the center of the space. Consequently, the individuals compete to interpret the central space based on their preference for action. Those lazier ones with the stable search of the order to create or to make the rules accomplished; the experts try to lead the research and accumulate data; the politicians try to increase the number and the range of their contacts; and finally, the dictators, impatient of taking advantage of a chaotic situation, look for an absolute control. The stronger is the importance of publication, the more the people try to support the power where they feel authorized much more for their abilities and individual perspectives (Kurtz C & Snowden D 2003).

5.1.5 CODE OF KNOWLEDGE

The objective of code consists in placing the institutional knowledge at the reach of those who need it. Literally, converts the knowledge into a code so that it can be as organized, explicit, portable and easy to understand as possible (Davenport T & Prusak L 2001). The main difficulty that we find in the task of coding is the question of how to code the knowledge without losing its distinctive properties. That is to say, we must give a structure without permitting it to be counterproductive.

1. The administrators must decide to which management objectives the coded knowledge must be useful.
2. In order to reach the administrators these objectives, they must be capable of identifying the existing knowledge in different ways. In the case of the strategic and

tactic movements, there is knowledge of the mechanic of the movements, of the strategies and of the definitions in relation to tactic and strategy, however it is also important how each player if he applies these knowledge in practice, therefore the design and code of this knowledge must consider their different forms.

3. The administrators of knowledge must evaluate the suitability and usefulness of the same for its coding. In the case of the game that we are analyzing, the administrators are the technicians of each team therefore they are who must consider how suitable or useful is to apply determined knowledge.

4. The coders must identify a proper place for the coding and distribution. In this case the place is visual (Davenport T & Prusak L 2001).

For Winter (cited in Davenport T & Prusak L 2001), the knowledge is in several dimensions coming from:

Tacit to Articulated; Impossible to be taught to Possible of being taught; Not articulated to articulated; Not observed in the use to observed in the use; Rich to Schematic; Complex to Simple and Not documented to Documented. In this framework we can specify the strategies for the coding.

The tacit knowledge, developed and assimilated by people during a long time is practically impossible to be reproduced in a document or data base. The said knowledge is incorporated both to the accumulated and established learning that can be impossible to separate its rules in the way an individual acts. Even when it is possible to make general abstractions like graving the same that permits a first approach to itself, even when it is not possible to understand its essence (Davenport T & Prusak L 2001)

The maps of knowledge are an intelligent alternative of codification; they are not a deposit of knowledge in itself, but mostly a guide to access it. This is to find the knowledge in the organization and to have the procedures that permit to find them (Davenport T & Prusak L 2001).

A point of great importance is of evaluation of knowledge already coded as we express in point three of the four coding rules, we must evaluate the suitability and usefulness of knowledge to be coded, in this case we must extend to a revision in the same terms of knowledge already coded, which can be rejected or must be adapted or rejected for not accomplishing the requirements in rule three. In different times the value of something is not necessarily the same (Davenport T & Prusak L 2001)

5.1.6 TRANSFERENCE OF KNOWLEDGE

The transferring of knowledge can be understood as two activities depending on the nature of the same, one is to transfer explicit knowledge and it is a task somehow bounded and can be ruled with the regulations of other activities like the technology of information, in storage, classification and distribution. However, the tacit knowledge presents superior difficulties and in this case we have to think in sharing knowledge (Davenport T & Prusak L 2001).

In Plato ([369-362 B.C.E.] 1995), we can find how transfer knowledge, for him the technical virtues (prometícs) and the political, religious and civil virtues, (hermetics). We have then that the technological virtues, for being determined, are special, that is to say owned by the experts, that there is no reason to be distributed

among individuals; instead, the political virtues, for being transcendental, are to be distributed among individuals.

In economic terms: the offer of the contents of technical virtues will be much less than the demand corresponding to the contents of the political, religious and civil virtues, paradoxically, therefore, the value of change of the hermetic contents must be less than of the technicians. The production and transference of the expert knowledge in the organizations explains the great economic performance of some companies over others (Romer P 1990).

On the other hand, the expert knowledge is imbued of a very important tacit component and its transference is complex. A subject still under exploration, which does not happen with the same intensity with the hermetic knowledge where its tacit component is less (Davenport T & Prusak L 2001).

For Denning (cited in Davenport T & Prusak L, 2001), the informal media in the companies for which we get knowledge are based on the social activities where this knowledge is transferred while sharing it. The most useful tools are to tell stories, narrations and metaphors.

By sharing this, we can create propitious atmospheres to formalize in some way these activities, as Denning (cited in Brown JS & P, 1991) said are most of them of informal nature, these atmospheres are the communities of practice and their derivatives.

5.2. THE DILIGENCE OF KNOWLEDGE AND THE INTELLECTUAL CAPITAL

The intellectual capital is not a new phenomenon; it has always been present from the first relations between clients and suppliers. Then, it was known as fund of commerce. Today the explosive development of communication media, the technology of information and the communications have provided new tools with which a global economy has been created. These tools contribute with immaterial benefits that we consider not valuable, but that before did not exist, up to the extent that the organization can't work without them. The property of such tools gives competitive advantages, therefore, constitute an asset. "With the term intellectual capital, we make reference to the combination of immaterial assets that permit the company work" (Brooking A 1997).

For some time the bases of the intellectual capital and the knowledge were not considered by losing great powers. "One corporation is like the tree. There is one part that is visible (the fruits) and one part that is hidden (the roots). If you only care about fruits, the tree may die. In order to grow the tree and continues giving fruits, it will be necessary that the roots are healthy and nourished. This is valid for the companies: if we only focus in the fruits (the financial results) and we ignore the values hidden, the company won't subsist in the long run" (Edvinsson L & Malone M 1997).

The Intellectual Capital is in charge of enlarging the final process of the diligence of knowledge and includes the human parts which are individual abilities applied to find solutions; the client, formed by the quality of the same and its type of relation, quality of

services; and organizational capital, such as culture, norms and procedures. In this understanding the Intellectual Capital is the group of intellectual material, knowledge, information, intellectual property, experience that can be used to create value. It is a collective brain force. As it was discussed in the classical focus of the diligence of knowledge, it is difficult to identify and even more of efficiently distributing. In this way, whoever is able to get it, will have the competitive advantage and better economic result. In this example it is clear that a soccer team is based on these abilities more than in others, therefore, it becomes obvious that the competitive advantage comes from these factors (Steward T 1997).

The Intellectual Capital can be considered as a stock concept, that is to say, it will have relation with the measurement of the assets, therefore an accounting concept. It must be effectively controlled these ways that generate different abilities or essential competences, at long term, in this sense these assets and processes are the ones centered in knowledge (Edvinsson L & Malone M 1997).

5.2.1 THE BALANCE SCORE CARD

An effective way of measuring the intellectual capital is through a consistent model in a system of financial and not financial indicators that have as its objective to measure the results obtained by the organization. In the 90s the researches were centered in the conviction that the models of management diligence based on financial indicators were completely obsolete. In this way Norton and Kaplan (1996) found a model that include the financial indicators (from the past) with the non financial (of future) and they

are included in a scheme that permits to understand the interdependences between its elements, as well as the coherence with the strategy and the vision of the company.

The model is formed by four groups and within each group they distinguish two types of indicators, Driver Indicators (conditioning factors from others) and the Output Indicators (indicators of result). The groups include:

1. Financial Perspective, the financial indicators like the final objective, these indicators must not be replaced, but complemented with others that reflect the management reality. Example of indicators: Profitability over own funds, cash flow, analysis of profitability of the client and product, diligence of risk,
2. Client Perspective, the objective is to identify the values related to the clients who increase the competitive ability of the company. For this, we must previously define the segments of objective market and carry out an analysis of value and quality of these. The drivers are the group of values of the product/service offered to the clients (indicators of image and reputation of the company, of the quality of the relation with the client, of the attributes of the services/products. The output is referred to the consequences derived from the grade of adequate of the offer in front of the client's expectations. Examples: market quota, level of loyalty or satisfaction of the clients.
3. Perspective of Internal Processes of Business, analyzing the adequate of the internal
4. Processes of the company in front of the client's satisfaction and to get high levels of financial output. In order to reach this objective, they propose an analysis of the internal processes from a perspective of business and a predetermination of the key processes through the chain of value.

There are three types of processes: Innovation Processes, Operation Processes and service after sale.

1. Perspective of Learning and Improvement, are included in the group of drivers of the rest of the perspectives. These inductors constitute the group of assets that gives the organization the ability to improve and learn. The vision of traditional accounting is criticized that considers the formation as an expense, not as an investment. This perspective is the less developed one due to the scarce progress of the companies in this respect. Anyway, the contribution of the model is relevant, since it leaves a road marked down and gives a structure to this perspective. Classifies the assets related to learning and improves in: Ability and competence of the people (diligence of the employees). Information systems (systems providing useful information for work) and Culture-atmosphere-motivation for learning and action (Kaplan R & Norton D 1996).

5.2.2 THE SKANDIA NAVIGATOR

The difference between the values of the company in books and those from the market is the motivation to design the navigator. This difference is due to a group of assets that are not reflected in the traditional accounting, but that the market recognizes as future cash flows. In order to formalize these values, it is necessary to make them visible. Skandia's focus starts that the value of market of the company is formed by: The Financial Capital and the Intellectual Capital (Edvinsson L & Malone M 1997).

The Intellectual Capital is formed by groups, as follows:

Structural Capital, Knowledge made explicit by the organization. Formed by three elements:

Clients: Assets related to the clients, among them loyalty, ability of forming mixed teams, etc.

Processes: Way in which the company adds value through the different activities developed by them.

Innovation Ability, Possibility of keeping the success of the company in the long term through the development of new products or services (Edvinsson L & Malone M 1997).

The synthesis of Intellectual Capital and the financial and temporal dimension are gathered in the model denominated Navigator.

The superior triangle is the Financial Focus (Situation Balance), the past of the company. To the traditional indicators ratios are added that evaluate the output, fastness and quality. The present one is formed by the relation with clients and the processes of business. The base is the ability of innovation and of getting adapted, which guarantees future. The center of the model and heart of the company is the Human Focus.

The indicators must accomplish some requirements: relevance, accuracy, dimension and facility of measurement. Real introductions of this model have been made in different companies with important success (Edvinsson L & Malone M 1997).

The applicability of the model to this example is very simple and it is self-explanatory if we follow the steps derived from the principles exposed, in this presentation of the navigator. This example is very easy to apply in the sense that the most complex in the companies is to identify the components of the intellectual capital and how these contribute in business, which in this case is almost explicit and it is

immediately in evidence that it forms its main component (Edvinsson L & Malone M 1997).

5.3 NARRATIVES AND THE TELLING OF STORIES IN THE DILIGENCE OF KNOWLEDGE

The focus that has dominated the practice of the diligence of the knowledge since 1995 has been centered in the conversion of tacit and explicit knowledge, this has provided a great group of tools and models that have been useful, but limited. I completely reject the universally accepted conversion of tacit and explicit knowledge, as well as the sentence that the diligence of knowledge is an oxymoron (from the Greek *oxi* = sharp, acute and *moro* = fool) is used to state an absurd for contradiction forcing the reader to look for an interpretative metaphor. I found this supporting the paradoxical nature of knowledge that is both a thing as well as a flow (Snowden D 2001).

Referring to the narratives or telling stories as a paradigm of the diligence of knowledge is something risky. “Do stories have some role to be played in the world of business? Believe me, I have become familiar with the skepticism of the executives when they deal with these subjects and even when they behave politically sometimes their eyes come out from their orbits”. Too much of the intellectual capital of the organizations is written nowhere, but it is in people’s minds. The communication of this knowing- as throughout the organization and beyond it, typically occurs in an informal way through sharing stories. Then it is not a bad purpose to pay attention to the subject and formalize it in theory (Denning S 2004)

The human knowledge is deeply contextual and requires stimulation if it wants to be transmitted. Telling stories, either fiction or reality is one powerful tool of stimulation. I understand that there is a platform of diligence and this includes at least three factors. The diligence of content which can be captured in documents; The diligence of Narration that can be shared verbally among the individuals and The Diligence of context which is the diligence of the atmosphere in which these interactions take place. Most of the traditional focuses pay their main attention in the content, ignoring or treating in a partial way the others. The diligence of the context has been my focus in the last time, studying what is related to the social complexities. The soccer game is also contextual by nature then must be analyzed in that respect where the contents dealing with the classical focus are of less importance being more relevant the context and sharing knowledge through narratives or stories (Snowden D 2001 & 2002).

The narrative is an art and at the same time is a science while being negligent at the expense of others is not only silly, but dangerous. While playing with stories of the people, you are playing with their souls and this requires a high grade of responsibility. Seanachie is an Irish word that designates somebody who is more than a teller of a story and to whom takes many years of working as learners to become one of them. The organizational work to work with stories or narratives requires the same dedication. For incredible it may appear, the success of the soccer technicians is based on their abilities in handling groups in a great way, of creating social atmospheres and handling abilities and the individual selves, since they are somehow Seanachies in their activity (Snowden D 2001).

5.4 THE THIRD GENERATION OF THE DILIGENCE OF KNOWLEDGE

The initial stage of the Diligence of knowledge was conducted over all by Organizations of information technology –particularly the large international consultancy offices – they realized that their value in commerce was the information and knowledge, that the left hand had often no idea what the right hand knew and that they could share this knowledge, they could at the same time avoid the reinvention of the wheel, doing better than their competitors and getting more benefits. When Internet emerged, they noted that Intranet was a tool for getting that coordination and sharing knowledge: This was what the large international consultancy organizations also noted quickly that most of their clients shared the same problems and that their expertise built for themselves could also be a product, an expertise that could be provided to their clients. A new product needs a name and a subject or a reasoned analysis. The name for this new product was diligence of knowledge and the reasoned subject/analysis that justified it was the intellectual capital (Kownig M 2002).

Snowden (2002) made a distinction of two stages in the diligence of knowledge, the first one that called the stage of “information for the taking of decisions”. Where, “the proper structure and the flow of information to the responsible people of decisions and the automation of the main applications of business are possible through a technology that permitted the dominated revolution for the efficiencies perceived of process engineering”.

The diligence of knowledge of the first generation, also called “source – lateral of diligence of knowledge;” is firstly on integrating (“supply”) is created the knowledge

previously with the distribution of knowledge, sharing and other activities inserted in them. It is typically associated to two well known sentences that serve as the example for the lawyers for the effect of “sharing knowledge” of the management of knowledge: (1) Everything is in relation of capturing, coding and sharing valuable knowledge, and (2) Everything is in relation to getting proper information for the proper people at the proper time (Firestone J & McElroy M 2002).

The second stage of the diligence of knowledge is described in a simple way as added recognition of the human and cultural dimensions. It can be described as the stage if-you-build-they-will-come-is-a-mistake. The recognition that “if is built by you, that will come” is a recipe that can easily lead to the quick and embarrassing failure if the human factors are not sufficiently considered. As that revealed recognition, two important subjects of literature of business administration were dealt in the subject of diligence of knowledge. The first one was Senge’s (1990) work on the organization that he learned. The second one was Nonaka’s (1994) work on the tacit knowledge and how to discover and cultivate it. Both were not only on the human factors of the set in practice of the diligence of knowledge and its use, they were also on the creation of knowledge as well as of sharing and communicating the knowledge. The distinctive sentence for the stage 2 was communities of practice (Koenig M 2002).

The second stage of management of knowledge started in 1995 with “the popularity of the SECI’s model” after the publication of Knowledge Creating Company of Nonaka and Takeuchi (1995). “For practical purposes the management of the knowledge started in 1995”, with the publication of this book. The second stage of the diligence of knowledge is characterized by a focus in the four model processes of SECI

that describes the conversion of knowledge from explicit to tacit (socialization), from tacit to explicit (Internalization). It is wise to comment on the misunderstanding of Polanyi's opinions with respect to the nature of the relation between tacit and explicit knowledge which is frequent in the second stage specifically that this relation was "dualistic, more than dialectic", opposite to Polanyi and Nonaka's comprehension of the relation (Snowden D 2002).

The diligence of knowledge of the second generation appears first at the middle of 90s and it is centered not only in the knowledge of "the supplier side" that processes lateral knowledge of the "demand" that he processes, or to "do – knowledge" in reply to the problem of inducing demand. This combined focus in the integration of knowledge and the production of knowledge is the feature that defines from the diligence of knowledge of the second generation (SGKM), or alternatively, the management of the new knowledge (TNKM). But an important aspect of it is also the recognition that the organization are impregnated with adapting phenomena complex of the systems and that the management of knowledge in them is in using the diligence of knowledge to permit or to reinforce the one itself –organization in the knowledge processed with the aim of reaching the sustained innovation in support of the adaptation of the organization (Firestone J & McElroy M 2002).

The third stage is the knowledge of the importance of content –and, particularly, of knowing the importance of recoverability and therefore, of arrangement, of description and of structure of that content. Considering that a good alternative description for the second stage of the diligence of knowledge is "it is not good if you do not use them", then in that respect, perhaps the best description for the new third stage is "that it is not

good if you can't find it". The distinctive sentences that emerge for the third state are management of content (or management of content of the company) and taxonomies (Koenig M 2002).

What distinguish the Third generation (TNKM) from the rest of the variables of the management of the second generation of knowledge is that it is anti-justification. It does not only deny the petition to authority (of management) as a base for truth, he denies the same possibility of certainty over truth in the first place. That is to say, he tells us that human beings fail and they can never know the truth with certainty. He gets this perspective from the great philosopher Karl R. Popper (1934), who calls it failure, the vision that human beings are extremely prompt to fail with respect to their knowledge. In this way, TNKM is management of the second generation of knowledge with a Popperian turn to him. It is a variety of failures in the diligence of knowledge (Firestone J McElroy M 2002).

5.5 ANALYSIS AND CONCLUSIONS

As any revision of literature and after seeing the results, both in selection of the subjects to be included as well as of the authors considered relevant in the study, it is expressed the subjectivity of the author. However, I will avail of an oxymoron to reinforce the value of my proposal, since in the same weakness resides the great strengths of this type of works, is because the analysis while including the knowledge and the knowing part innate of the author, generate therefore a unique vision of the subject dealt, then the condition of contribution for the nature of being a new vision of a particular

subject is assured, the second component that is the validity as contribution to the knowledge, is a matter that has to be evaluated by the observers who judge if it has been a correct reply to the question or not a contribution as revision of literature in the context defined.

I must excuse myself with all the important authors that I have excluded arbitrarily this work, some for understanding that for the subjects selected were covered with the interferences of the authors that I considered and other exclusions, simply for my ignorance and disability for interpreting its contributions and synthesize them in a way so that they would have been included. Even more, my main excuses for the authors that I did include and I considered a partial vision from their work, many times excluding key pieces of thought of each one of them, that however in my subjectivity were not proper in the power that I defined for this work or rather considering a period in the development of each thinker where their contributions were then complemented, changed or developed in a different way by the authors, in such a way that I give a partial vision of many of the works that were larger and valuable. An finally my humblest excuses to all those who could twist the interpretations and to whom could abuse in extending the scopes of his thought, while exposing their quotations in fictitious examples of a particular subject that was not necessarily interpreted by the theories that I wanted to expose, even more in most of the examples of interpretation perhaps the original authors would not agree with these also for my own disability of understanding the foundations of its theories. Anyhow, I won-t give my excuses for trying it and even less for expressing a recognition to those who have evidently contributed to the development of knowledge.

On the other hand, in the case of a not scientific knowledge, it presents great possibilities of analysis and application of the theories analyzed. In the case of diligence of knowledge, the examples were extremely difficult of applying in specific subjects to the economic output or of models that have as its aim to administer the knowledge in terms of carrying out the assets and create value for the company, even in this way, we can consider its applicability considering some grades of freedom while doing. The figure #4, present a map of the Epistempology and Knowledge Management literature.

EMPIRICAL PART

CHAPTER 6

RESEARCH QUESTIONS, DESIGN AND METHODS

6.1 INTRODUCTION

The economic performance of the micro and small enterprise (MISE) has a direct influence in the distribution of income and in the struggle against poverty in the countries (Herrera B 2005, Serida et al 2006). While increasing the economic performance of this sector, that provides the higher number of employees in almost all the countries, permits to increase the economic incomes of most of the population, therefore to upgrade the distribution of income and have better individual economic conditions.

The solutions for increasing MISE economic performance are traditionally related with the proposals from the fields of economy or finances, from the public policies or subsidies; also are found direct or indirect contributions of the governments or not government organizations of aid for the small enterprise (Romer P 1986 & 1994, Audretsh D & Thurik R 2001, Cabrera et al 2002). An analysis of those solutions shows that in general these have not been efficient at all, especially in the developing countries (Romer P 1986). At the end of the 80s, Paul Romer (1986) states that the neoclassic factors of capital and work (Solow R 1956) are not enough to explain the economic performance of the enterprises and proposes that the knowledge is a factor that solves the deviations of the proposals of the neoclassic economists, this is complemented with several studies (Lucas R 1978; Romer P 1994; Barro R 1989; Krugman R 1991).

Considering both factors, that is to say, that MISE economic performance is by itself important and that the knowledge is a factor of this performance, this work proposes to investigate the effect of the knowledge management over MISE economic performance.

The investigation will be divided in two phases, the first one of exploratory nature that will have the purpose to explore those elements in the management of knowledge that would permit the micro and small entrepreneurs to carry out in a better way their business in order to reach better economic performance, also they will explore the elements that impede or make difficult these better results, the result of this exploratory phase will be the one proposed from a model of diligence that incorporates the key elements found in the exploratory phase. For this part of the research, three stories of small entrepreneurs will be studied, which were obtained from narration of their own stories of the entrepreneurs and their environments and through an analysis of narratives, they will explore in search of the factors already mentioned. The second phase of the research is of explanatory character, and will consist of analyzing the model proposed and explain the importance of the elements that form the model and how these affect in a positive or negative way the economic performance of the small enterprise from the perspective of knowledge management. This phase will be made in base of several interviews to micro and small entrepreneurs using their knowledge that is related to the knowledge created by the institutions with which they interact and with the knowledge that they share or facilitates other actors of their environment.

6.1.1. STATEMENT OF THE PROBLEM

The purpose of this Narratives study was to understand and explain how and what knowledge factors affect the economic performance of the micro and small enterprises. Then the study covered the knowledge created by the institutions, like government, banking, market and others and how the entrepreneurs interact with these knowledge using their own knowledge, and also helped for intermediaries who facilitating the understanding and use of the institutional knowledge instruments from the entrepreneurs.

The study of knowledge has been in the last time, subject of research in the economic performance of the enterprises and in the nations. It is in this way that in the studies based on endogenous growth proposed by Paul Romer (1986), they state that the knowledge is an important factor in the economic performance of the enterprises and nations, idea followed and developed by outstanding economists and supported in several studies (Lucas R 1978; Romer P 1994; Barro R 1989; Krugman R 1991). Then, in this way the knowledge is added to the neoclassic factors of capital and of work (Solow R 1956), in all these studies the knowledge is measured in function of the registration of new plates, creation of new products or investment in research and development (Cohen & Klepper 1996; Audretsch & Thurik 2000). However, in none of these researches, is characterized or deepened on their knowledge as such, neither in the organization, nor in their workers, even less in the management of knowledge and neither it is studied how this is related to generation of the economic performance, by limiting only to state its contribution and importance, in terms of magnitude and as result of the knowledge

expressed in products, but it has not been studied how knowledge contributes in the economic performance in the enterprise in general.

Considering a particular group of the Enterprise, like the case of the small and micro Enterprise, they propose to analyze the economic performance in base of the specific study of the contribution of knowledge as an output factor, as stated by Romer (1986). This motivated then, is the sector of economy that contributes more in terms of production of employment (Irrázaval et al 2001) and depends on its economic performance how the income of the nations is distributed, therefore in a world where the inequality (Wade R 2001) while studying the factors that influence on the economic performance of the small enterprise is really prominent.

6.1.2 STUDY'S AIM

Once established the importance of the economic sector to be analyzed, the aim of this study will be to explore and explain the use and management of knowledge as a factor of economic performance in the micro and small Enterprise. Undoubtedly, this can be studied from different perspectives, but in this particular case, we will deal with it in two phases.

The first one is an exploratory study that considers the entrepreneur as a solicitor of the small and micro Enterprise and will explore about the use of knowledge that this entrepreneur has in the generation of economic performance for his Enterprise. We will understand that the use of knowledge on behalf of the entrepreneur, implies directly the relation of entrepreneur with his environment, since his knowledge is applied or used in

the conditions of his environment, that is to say, for buying, selling, publishing, having access to the bank and financing; for training himself, for doing business, establishing links with suppliers and all related to business management and operation. The environment on the other hand, generates knowledge and this is expressed in rules, norms, dispositions and other instruments which are finally with which the entrepreneur can interact applying the knowledge that he possesses. Then, we will be studying the knowledge management in the small and micro enterprise from the view point of the entrepreneur and his relation with the environment. Having determined in this exploratory study the factors of use of knowledge, the relation with the knowledge created by the environment and how these have an impact in the economic performance of the small and micro enterprise. This first phase of research has been stated as an exploratory study considering that the subject of analysis represents a new field not sufficiently raised up (Babbie E 2004).

In the second phase, it is proposed to investigate the nature of this knowledge, that is to say, to identify the type of knowledge that it is used by the small entrepreneur, how this is effectively used and how is it related to the factors determined in the first phase of the study. In other words, it is an explanatory study of the use of knowledge on behalf of the entrepreneur and its relation with the success factors for the small enterprise. This second phase is very necessary to understand why the policies applied on the first phase, that is to say, on the use of knowledge on behalf of the entrepreneur in their environment are successful or not.

6.1.3 THE RESEARCH QUESTIONS

Main Question

Which type of knowledge and how does the use of knowledge on behalf of the entrepreneur of the small and micro Enterprise in relation with his environment affect the economic performance of their enterprises?

Secondary Questions of Content

How does the environment affect the use of the entrepreneur knowledge?

Which factors of the knowledge produced by the environment or institutions improve the use of the entrepreneur knowledge?

Which type of knowledge is presented for the different types of small enterprise and how does this affect in the relation with the environments?

6.1.4 SCOPES AND LIMITATIONS

The study will be made in micro and small enterprises of less than 10 employees, only enterprises of the formal sector will be considered. Considering the great variety of enterprises, it was used the data information as an strategy, the classification proposed of GEM of the International Standard Industrial Classification (ISIC) to define the economic sectors of the different enterprises (Bosna N & Harding R 2007). The study is qualitative, of exploratory and explanatory character for determining in a first stage and then to explain the factors that have influence in the performance of the small and micro

enterprise, related to the use of knowledge of the entrepreneur in his environment, therefore does not quantify the phenomenon in study.

The great variety of enterprises makes impossible not to exclude some cases from the analysis.

It is not established comparisons between different realities existing in the different countries, except to explain the differences of the environment in one of the stories.

6.2 RESEARCH DESIGN

6.2.1 CHARACTERISTICS OF THE QUALITATIVE RESEARCH

The focus is extremely constructive in which the most important of the research is to understand the use of knowledge and the description of knowledge itself in the entrepreneur of micro and small enterprises so as to generate better economic performance. That is to say, we must understand the social problem where the entrepreneur generate the meaning starting from their interactions with his environment represented by other agents related to the enterprise, but are also of social character and come from the human group, this is part of the assumptions stated by Crotty (1998) while discussing the constructivism.

In the same way, Crotty (1998) also states that “The meanings are built up by human beings since they strike up with the world that they are interpreting”. In our research, it is necessary to investigate about the “Meaning built up by the entrepreneur”

and make questions of open composition so that the entrepreneur can give us their view points.

On the other hand, Schutz (1973) states that it is impossible to understand the human conduct by ignoring their intentions and it is impossible to understand the human intentions without taking into account the contexts in which it makes sense. Those contexts can be institutions, group of practices or some other contexts created by men, contexts having a story in which both the private events and those of the whole history of the individuals can be actors and that have situated in order to be intelligible. This is particularly important in our case where the use of knowledge of the entrepreneur is related to what we have denominated environment and that here Schutz (1973) defines us in a better way like the contexts.

Finally the knowledge in the small Enterprise must be understood starting from the entrepreneur. By participating in their world and giving sense so that the base of their historic and social perspective, in this way, we will situate our research in the control of the entrepreneur to try to understand their interpretations from this context.

Then, while proposing a Constructive focus, we find that the application of a qualitative research is perfectly adjusted in front of this philosophic assumption.

6.2.2 QUALITATIVE RESEARCH STRATEGY

Once the assumptions are established in the focus of knowledge and defined that this will be constructive, it is perfectly linked with a qualitative research, we find before the election of operating at a more applied level that provides the specific directions for

the procedures of our research design (Creswell J 2003). In this point we find ourselves with a practical problem, since we want to establish both things the first related to an exploration with regard to the use of knowledge and the relation of the entrepreneur with his environment and the second one explains the nature and description of that knowledge and how it is related with the success elements of the small and micro enterprise, this does not invite us to divide our research in two phases.

For the study of knowledge, it is used as a base the focus of American pragmatism especially John Dewey (1910) and Cook and Brown's (1999) definitions for the classifications of use and possession of knowledge, therefore the results are not valid while considering other classifications.

The first Phase is defined by an exploratory study on the elements of use of knowledge and the relation of the entrepreneur with his environment that permits us to generate a conceptual frame for the best understanding of the subject on study.

This propose us to look for information sources where we can extract which are the elements of use of knowledge and the relation of the entrepreneur with his environment, this is not possible in other way than studying the entrepreneur in his environment and exploring in their context how the knowledge is used. These sources come from the stories of success and/or failure of three small entrepreneur where it is evident how the knowledge has been used in each case and which has been the relation stated by these entrepreneur with regard to the use of their own knowledge and of their environment. The stories selected are very effectives since they are extremely clear in expressing that the proper or improper use of knowledge gives evidence to us that the economic performance of the small enterprise is related to the proper management of

knowledge and within this its correct use. The exposition to the exaggeration and the absurd resulting from this, are key as rhetoric elements in this analysis. The Narratives are very adequate for the study proposed, because it is required a story of development of the three businesses studied throughout the time; this is not possible to do it directly in a longitudinal study, since when the stories start taking place, nobody could have guaranteed that they will be of interest to study, but they become a subject of analysis for the results obtained and the processes that followed in time. Therefore, in order to reconstitute the story, it is required that the participants tell their own narrations and develop their experiences so that from these, we can build up a new story from the researcher's point of view and then establish an analysis of this narrative to generate the conceptual frame proposed.

The second Phase is an explanatory study to determine the nature of knowledge and its characteristics in the small and micro Enterprise and to establish the relation with the results defined in the first phase. This is to define how the policies are impelled so as to improve the performance of this sector of economy.

Polkinghorne (1987) examines a special type of explanation that it is possible within the narrative where the reasons can be conciliated with the causes in an interpretation of the action. In the scientific-logical way of knowing, an explanation obtained through the recognition of an event as an example of a general law or as belonging to a determined category (Polkinghorne D 1987). So as to know of the narrative, an explanation consists in a relative event to a human project (Czarniawska B 2004).

In this case we must study the behavior of the small Enterprise in terms of existing knowledge, for this it will be necessary to study several segmented enterprises according to some category so as to establish a frame for the knowledge in each of the categories studied. Again here it is required to thoroughly internalize on the nature of knowledge of the micro and small entrepreneurs, that is to say, to study a social reality from its point of view and from its context, for this purpose it is required to know the story of their undertaking and of their lives as entrepreneur and to analyze them from the point of view of their social reality and from the segment according to types of enterprises.

The study of the first Phase is enough here and must consider other approach, therefore a Group of micro and small enterprises will be studied, that will be determined by the saturation criteria, that is to say, interviews will be incorporated until the marginal contributions of the new stories are outstanding. The enterprise considered will be divided in segments according to the ISIC classification (Bosma N & Harding R 2007), modified in which the sector of natural resources will not be considered and for the case of transformation enterprises, they will subdivide this sector in enterprises devoted to transport as a category and the manufactures and specific transformations as another category, besides the categories of service enterprises to enterprises and finally the consumer enterprises. For each of them will be considered a direct information captured from the entrepreneur, so as to propel the narration of their experiences and knowledge for then generating a narrative that generalizes according to type of enterprise and according to its analysis for defining the nature of knowledge and its characteristics. This is starting from all the stories registered for each category of enterprise, a narrative story

will be created on behalf of the researcher, which show us that we will have four stories that will include the description of the types of knowledge found for each category of small and micro enterprises.

These four stories will be analyzed and compared with the model resulting in the first phase and it will be proposed an explanation for the type of knowledge existing in the small and micro enterprise and its relation with the use of knowledge on behalf of the entrepreneur in their environment and how these generate economic performance.

6.2.3. HOW STORIES ARE BUILT UP

In order to do from the narratives an instrument of effective research in social sciences, the stories must represent much more than merely telling of chronological events described and must respond to stories framed in a plot representing the phenomenon in study (Czarniawska B 2004).

The classical elements for defining a plot for the narratives are the speeches of rhetoric which are figures of language used to mark down several turns of an expression purely literal. Four master speeches are considered for the help of establishing the plot of the story, these are metaphors, metonymia, sinécdoque and irony (Czarniawska B 2004).

In the first phase, our exploratory study will consider three stories whose plot is built up as a Satire which shows the absurd of all what happens in each story and must reject the rational laws considering them as an illusion appeared in the tragedy, the prosecution of a common harmony of the comedy and the self-satisfaction and disclosure

of truth of romance. Here the irony, the speech of skepticism, of contradiction and of the paradox is the predominant rhetoric figure (Czarniawska B 2004).

The stories considered, present cases where all the rules are complied for having success and they fail in a dramatic way or on the contrary, they have had a great disadvantage and they finish having success and in all cases the success or failure is given by the proper management and not from knowledge and the use of this by the entrepreneur and his relation with the environment.

The second phase of the study, of explanatory character, will study an outstanding group of stories where the plot is built up as a tragedy, seeing the entrepreneur subjected to a number of laws of fact which become evident through main crisis which is the axe of the narration. The tragedy is built up using the metonymia where the object in study replaces the phenomenon in itself (Czarniawska B 2004), in our case the type and use of knowledge is represented by the success factors of the enterprise. The entrepreneur and his enterprise are in fact submitted to a number of rules to operate in the market and depending on the knowledge of the entrepreneur is that they will succeed or not. The success factors defined in literature, on the other hand, not necessarily will be found according to how the knowledge is formed for each case, taking the risk in this way for tragedy, to occur.

6.2.4 RESEARCHER ROLE

In both phases the researcher role is intensive participating in the scope study taking many hours in visiting and knowing on site the different realities so as to obtain

more than the only interviews a general view of each enterprise and of each entrepreneur as well as of his environment. However, it does not act altering the results of the individual to be investigated.

6.2.5 DATA COLLECTION

6.2.5.1 TO COLLECT STORIES

The collection of stories is not a passive process as the one of collecting mushrooms; the researcher must listen in a selective way, remember according to fragments and relocate in a way of situating his aims (Czarniawska B 2004).

In the first phase the stories are collected through multiple interviews with the entrepreneur and are complemented with interviews with employees, competitors or members of his environment, besides a situational analysis and direct remarks on site.

The second phase includes only direct interviews to the entrepreneur and situational analysis of their environment for direct remarks.

6.2.5.2 TO PROVOKE TELLING STORIES

The process and the telling stories or tales in the organizations is full of knowledge transference, an important way of knowing on the organizations is through their stories, in the nemesis of them the concept of the organizations is transferred, this topic has been properly studied by Yiannis Gabriel (2000).

In the study of both phases the critical mission is given by the interviews to the entrepreneur, particularly in the first phase where multiples interviews not so much extended will be held to each entrepreneur, the purpose is that they can develop their own stories starting from tales and/or anecdotes with their experiences. For the phase two, the interviews will be of greater duration, but only one for each entrepreneur, here the objective is also that the entrepreneur tells his own stories.

6.2.6 DATA ANALYSIS PROCEDURES

6.2.6.1. TO INTERPRET THE STORIES (WHAT DO THEY SAY?)

We will interpret the stories, that is to say, what do they say from the view point of the constructive explanation in which the meaning in the text are not created nor discovered by anybody, but they are built up starting from something that a text exists, a tradition or genre in the interaction between the reader and the text.

Therefore, in our study the interpretation of stories of the entrepreneur will be a construction between the researcher and his own story. The meaning will be clearly the product or result of the interaction between the text signals and the actions of comprehension of the researcher.

6.2.6.2 STORIES ANALYSIS (HOW DO WE SAY?)

The traditional way of analyzing stories is the structural analysis, very close to the semiology or formalism (Czarniawska B 2004). In our study we will assume as Mandeler

(cited in Czarniawska B 2004) explains that all the stories have a basic structure which are not altered in their essence despite of the different content of several other stories.

We will distinguish.

The Setting, where we identify the main character and other personalities in our case interpreted by the entrepreneur, classification of time and place of the story, one or more episodes that form the plot and also have similar structure.

The episode formed by the beginning of one or more events and a development that implies the reaction of the main character that can be simple or complex, if it is complex they will have the setting of an objective, the way of that objective and the result. Finally, the end can include also a moral lesson.

6.2.6.3 MISCONSTRUCTION OF STORIES

According to Norris (1988), the misconstruction of a story is to Discover our loggias of conflicts and involvement in which the objects shown in the story or in the text should never mean exactly what they say or say what they mean.

6.2.6.4. TO PREPARE A PRESENTATION OF YOUR OWN STORY

While preparing our own texts, we must consider the chronology, the mimesis and the plot. The chronology is referred to give a logical order in time and does not present great complexity.

Mimesis or how to represent the world in a text, it reflects the need of recreating the reality in a text, in the case of a scientific study, this would reflect what is described in a correspondence one by one. In this effort we find two main problems.

The incompatibility among the world and the words described by Rorty (1991), considering that the words will be compared with what they want to describe. The representation does not reflect,, it creates.

The policies of representation, considering that we must always have competent versions of the world, who or under which criteria would have the right of judging (Rorty R 1991).

In mimesis we must consider the setting that would describe the context of the phenomenon under scrutiny in terms of space and time which permits us not to define universal theories, but universalized proposed theories.

Also we must consider the phenomenon of the voices, that is to say, who must be included and who must not, who is more important or has more right.

The first ´phase includes the realization of a narrative for each of the three stories in study, these imply the representation which is as loyal as possible with the stories told by the entrepreneur together with the impression of the researcher of the other interviews, the analysis of context and the researcher’s own views with regard to the phenomenon in study.

The second phase for each category of enterprises will be built up with a story that will represent the analysis of the researcher with regard to the knowledge found in the entrepreneur in the multiples interviews for each category, the narratives are centered

more in one description of the sector collecting the common factors of the enterprises of each category and their relation with knowledge.

6.2.7 STRATEGY FOR THE VALIDATION OF THE RESULTS.

The concept of validity in the qualitative research is related to an attempt of assuring the “accuracy” of the conclusion; as the best description of the researcher. This is that the final report will be a representation from the researcher’s view point. According to Creswell’s (2005) opinion, different processes of validity do not exist for the different methods of qualitative research and should be less emphasis in narratives with regard to validity that in Grounded theory for example. Among the eight strategies of Validity proposed by Creswell (2005), three were elected:

Prolonged Time and Persistent Remarks on site that includes to build up truths with the participants, to know culture and check the wrong or twisted information introduced by the researcher or by the participants, several authors among them Ely et al, Erlandson et al, Glesne & Peshkin, Lincon & Guba, Meriam are cited by Creswell (2005) as sponsors of this Validity procedure. In phase I, the time used in the study on site knowing the entrepreneur and their environment was considerable; it was established a pattern for giving confidence so that in a relaxed atmosphere, the participants will tell their stories, insert in their own atmosphere and culture. In the phase 2, it was carried out only one interview for every entrepreneur; this was long and in their own atmosphere also in an atmosphere of confidence.

Triangulation, utilization of multiple and different sources, methods, researchers and theories for providing corroborating evidence; Creswell (2005) cites Ely et al, Erlandson et al, Glesne & Peshkin, Lincon & Guba, Meriam, Miles & Huberman, Patton as propellers of this idea. I have used multiples stories that were analyzed from different viewpoints and also different sources of proofs. For the first stage, these different stories came from the different actors of each of the stories, including the entrepreneur and also to members of its environment, competitors, employees and support enterprises. For the phase II, the different stories came from different enterprises of different nature according to GEMS classification. Alternative proposals were analyzed to the ones found as other laudable proposals. (Yin R 1994), the endogenous view of the capital models and manual labor was also examined as rival proposals (Yin R 1994) to explain the possible success or failure of the small enterprise in terms of the economic results.

Review on behalf of the participants, the researcher requests the individual investigated to check the reliability of the conclusions and their interpretations, Creswell (2005) cites Ely et al, Erlandson et al, Glesne & Peshkin, Lincon & Guba, Meriam, Miles & Huberman, Patton as promoters of this idea. While reports were written, I talked to most of the entrepreneur who represent the main source of information in order to examine the main ideas (Yin R 1994). In some cases, it is difficult to present the texts directly to the entrepreneurs, because some of them have a low educational level and of comprehension, then I talked to them to explain them verbally the main ideas. The context in which the proposals were validated is defined by the scope of each narrative

speech, all of them are related to clear results in terms of success or failure of the small enterprise based on a strong relation between the organizations and the entrepreneurs.

From the theory of narratives in Social Sciences, we add a fourth element of validity, this is as follows:

To establish comparison against/together with other story, As we have already pointed out, the establishment of mimesis or world representation is one creation of the researcher and has no sense to confront it with reality that pretends to represent, then the way of validating our stories is to confront them with other stories (Czarniawska B 2004). Reliability: a registration was prepared for each case studied so as to assure the coherence of the data collected and also of all the analysis.

6.2.8 NARRATIVE STRUCTURE

The narrative structure must consider the already mentioned aspects of chronology, the mimesis and the plot. Then they will look for it in a continuous temporary dimension, to give an interpretation to the world observed following the process of synthesizing a data group in a coherent complex. This process will include a plot of argument that will determine which data must be included, with which order and with which final (Czarniawska B 2004).

The result will be a story which makes sense not only for the researcher, but for the objective audience. The research based on narratives is a complex and reflexive process in which the transference of stories from the field to narratives for the reader, this finally must feel that he can live the issues told.

The result is not then, objective and neutral report in which the opinions of the main characters, researcher and individual of the research are important part of the report. It is then in a report of the events with sense and aim, in the context in which they occur and understandable for the audience.

6.2.9 PREVENTION OF ETHICAL MATTERS

I do not find great ethical considerations, except the minimum care of treatment of reliability the cases in which it has been requested, with regard to the different view points, to include in the stories the comments and diverging opinions at the researcher's judgment and to the respect for the texts or original stories of the entrepreneur.

6.2.10 IMPORTANCE OF THE STUDY

From the practice point of view, given the importance of the small and micro enterprise in the generation of employment and in the distribution of wealth, in improving the economic performance of this sector is outstanding and an integrated view is contemplated of the capacities of the entrepreneur, the organization of the small enterprise and the relation of the entrepreneurs with the environment.

For the academy, to consider the knowledge as an outstanding subject in the strategic management of the small and micro enterprise, represented in terms of use of knowledge by the entrepreneur and the relation with the creation of this from the

environment, in three levels the institutional or of the environment, of the mediators or brokers and of the entrepreneur, no doubt they represent a field of attractive research.

The resulting model will be a contribution to the academic discussion in terms of analyzing and proposing solutions to the economic performance of the small enterprise from the knowledge management perspective.

There are no scientific studies analyzing the knowledge management in terms of use on behalf of the mediators so as to generate economic performance. The economic studies mainly presented by the knowledge as factor of the economic performance are referred to this from the view point of its results measures in plates, new products or investment in Research and development.

6.2.11 RESULTS EXPECTED

In the preliminary phase we must find the determining factors that affect the performance of the small and micro enterprises, because they have better or worse conditions for the use of knowledge that they possess. We should find which would be the keys to improve the utilization of this knowledge and this must give us a model or a conceptual frame explaining the relations and phenomena studied.

In the second phase they pretend an explanation of the first phase and of which types of segment knowledge per types of enterprises have influence or not in the relations and conclusions found in the first phase and represents in the conceptual frame.

CHAPTER 7

PHASE I: UNDERSTANDING THE ROLE OF KNOWLEDGE IN THE MISE **ECONOMIC PERFORMANCE**

Based on that the knowledge is a factor in the economic performance, just as Romer (1989) outlines, this exploratory study seeks, to understand the knowledge bases that the small manager have, and the regulations that come from government and not government institutions, which are product of knowledge created by these institutions and what is the middlemen role that help in its development as well in their own knowledge handling, the creation of new knowledge being this Technical or administrative and also in making more accessible to managers the institutional regulation understanding.

To obtain a detailed knowledge of what happens in this area of economy and the knowledge, it was used as methodology to “collect stories” and to establish theories based on the basis found in the analysis of these Stories (Czarniawska B 2004), three stories were gathered, which are presented here and they serve us as a base to speculate a conceptual frame that allows us to study the relationship between knowledge and economic performance in the small size company settling down.

The three stories about small entrepreneurs, that in different contexts, they carry out their works with different results, and describes personal knowledge of entrepreneurs, the relationship with the government and not government institutions, the role of brokers in knowledge administration and the economic results starting from these knowledge patterns.

The first story is a longitudinal study during two years, related to an entrepreneur that start business for selling ice creams in the middle of the most arid desert in the world, to which the mining companies from the area decide to help him to increase their revenues and for this they help him to be settled in a legal way, installing a kiosk and to training him in the basic aspects of a business. However, the good intentions are stuck only in that, causing a serious damage to the entrepreneur instead the offered benefit.

The second story is about an undocumented immigrant who in New York improves the conditions of a small size business, what is to implement cars to sell peanuts in the street, transforming it in a very lucrative company. It happens because he realized how to manage the context environments to reach his goals and uses the tools of formalization and the knowledge elements accessible for everyone to manage his business and put entry barriers to the competitors. After he carry out his idea in his own country and then to expand it to several others countries, installing a very successful business.

The third story locates us in a rural region, where small farmers run a flower selling a quite rudimentary flower selling business, the government through his development offices lends help to these modest farmers and gives them an economic contribution, technical assistance and training, being in an astonishing success from the point of view that they obtain better products, however also it became in a firm failure from the business perspective since the new managers don't have market to sell their flowers, because they don't know about marketing, distribution channels and sales.

7.1 THE FIRST STORY: THE KNOWLEDGE OF THE DESERT

Every labor day, around 4 in the afternoon, Ismael get off the Bus that takes him to his job, the same one that he has developed for more than five years. This doesn't differ however of millions of people that make the same thing around the world, Ismael's story is peculiar, he has gotten off the Bus in the middle of the most arid desert in the world, a place where it doesn't care toward where you look, ground and sand on which the sun reflects its inclement rays. Just in the middle of this place, there is a road that connects the city of Antofagasta with several mining tasks of the area, among them “Minera Escondida”. Ismael descends from the Bus in the highway, just in a rail crossing that transport mineral and mining supplies that it is located approximately to 75 kilometers from mines and something farther from the city, in this place there is a stop sign where all vehicles are forced to stop. Using these conditions, Ismael has mounted a successful small size business; he sells ice creams in the middle of desert, in the middle of nowhere.

He is a micro manager, he has developed his business starting from his original idea and it has gained value for it in the time, so it allows him to maintain his family in a worthy way, his revenues (about 700 Euros monthly) although they are not millionaire, it overcomes the average of his countrymen, therefore his business can be considered successful.

Ismael has an incomplete education, he left school for life imposed conditions and he had to start to work to early age, we could say that Ismael reached until the ninth grade using the scale K-12, he carried out his studies in a public school in Antofagasta and his performance was average. Anything encouraging, if we consider the performance of

Latin American students in the international test TIMMS and PISA, is very low and share the last places of the evaluation, systematically during the past twenty years (OCDE, 2002, 2005), also we must take into consideration the difference among private schools and our public schools is enormous, and stiller if we consider the difference between the cities and the capital.

Ismael knowledge, was acquired on the street, during years of selling diverse products in an informal way, he learned how to know his potential clients which were the products that were successful, the handling of prices, and the relationship with the suppliers.

Ismael has never read Michael Porter, but he has built a market niche and he has exploited the characteristics of it having an efficient business, he has been positioned in a location where he has a permanent flow of clients and it is not attractive for other companies of a bigger size, it is difficult to imitate for small competitors because it has analyzed the logistics so much of getting his raw materials, the transport to his sale place and the implicit recognition of his clients like only supplier in the sector (Porter M 1979). Neither he has read Stigler but it has defined his efficient operation size (Stigler G 1958), and so forth we could continue mentioning specialist authors in administration of business or economy to point out that Ismael has acquired and used a lot of knowledge to be able to make his business.

He found by chance, his current business, he sensed that settling in the middle of the desert would have much less competition than the one is there in the city, and his problem would be reduced to how to arrive to his sale place and to maintain the ice creams in good shape, until being able to sell them all. Settling in the middle of the

desert, it immediately bears fruit, Ismael was right. However, he had to solve several problems before having a good, constant and insurance entrance.

Little by little he was winning the trust of bus drivers that transport personal toward the mines and in that way he solved the first problem, transportation mean. Then he should get a reliable supplier for the whole year, fortunately the seasonal condition for ice creams, in the north of Chile with sun and high temperatures, is during whole year so he could find supplying without any problem. During his first months ice creams didn't support the heat before being completely sold and he lost part of the merchandise until Ismael improved the protection and isolation of his ice cream box and parallel he learned how to establish the demand flow in order to establish the quantity he has to buy.

The price although it was not a crucial topic, in the beginnings Ismael met the elasticity of the demand concept, due his original idea of charging a much higher price that in the city because he is offering ice creams in the middle of the desert, quickly he discovered that was not true, and the demand depended on the ice cream price.

Ismael never thought of being formalized, since he always worked selling in an informal way and he didn't understand neither the process of how to make it neither the reasons to make it. At the moment the events that would start changing his story he had worked for almost four years in an informal but successful business.

Mining is an industry that produces great contamination and has high environmental impact, therefore the efforts of responsible companies are enormous to minimize these impacts, and they develop expensive programs to diminish the effects toward the environment and the community. Inside these programs, they include the development of local communities, and it was in this context that the case of Ismael was

analyzed and they found that it would be very good idea to help to improve the business to a micro well-known entrepreneur for all those that use this road toward the mine and to whom people have a lot of esteem.

A team work was settled to design the project for helping Ismael, and would be included other contractor companies that would help in the project, those which to have contracts with the biggest mines, they also have to participate in this help programs for communities or to impel initiatives by themselves.

After some weeks of work, it was defined that the help for Ismael would consist in installing a kiosk for the sale of his products, in the same place where he stopped to sell the ice creams and it would allow him to offer more products, he would have a place to be parked and his clients could sit down to enjoy a coffee, soda, sandwiches, ice creams, etc. they would also help him to be formalized, and they would training him in managing the basic aspects of formality, among them: account handling, invoices stamping and manage cash flow.

In parallel the commissions assigned to the project worked, the first one would be in charge of the infrastructure, it should be built Ismael's kiosk in the desert, the first thing to do it was the ground leveling and then to build a wall of rocks and mud, to impede the wind pass that is quite strong in that area, was invested in these task many machinery hours as Dozer and Graders). Then the kiosk was installed and an electric power generator, also chemical bathrooms and a parking lot, and finally an entire signaling system telling people that use the road about the kiosk and its objectives. The second commission worked in the training and formalization of the business, carrying out all the necessary steps to constitute for Ismael a formal entity and training him in how to

manage these new complexities. The third and last commission would define the products that he would sell in the kiosk, the initial relationship with the suppliers, and the infrastructure of the kiosk like: bookcases, refrigerator, water, tables, seats, sunshade and others.

After a couple of months of hard work, everything is ready for the Ismael's new kiosk opening.

The beginning was promissory; during the first days every one visited Ismael's kiosk that looked radiant and proud about his new business, he spoke about his plans and new ideas that would improve even more his business, what seemed a good beginning for this business. However, quickly everything left darkening and nobody entered to buy to Ismael's kiosk, the one which sadly it tried to articulate explanations and he believed firmly in that people didn't enter to his kiosk, because of the kind of products that he was forced to have, that included only vacuum packed groceries. For Ismael, the fact that he cannot sell sandwiches or hot dogs directly prepared in his shop, was the key for the dropping demands, his previous knowledge of working for many years in the streets in Antofagasta told him that people prefer prepared products in the place before the packed products and for him, his potential client in the middle of road was the same one that he had known in the city, therefore they should have the same preferences.

While Ismael speculated looking for answers, the project commission had already realized which the true cause of the failure was: "The kiosk was settled to thirty meters from the stop sign and from the road, for that reason drivers didn't have any motivation for straying to buy anything in the middle of the desert". How this had not been considered if it seemed so obvious?, a basic rule when a business is designed, as its

location and the demand nature. The answer is as simple as the nature of the mistake, the mining companies, the contractors and the institutions that participated in the project don't have as fundamental purpose creating small companies and therefore they don't know how to make it. The main motivation of the project was not to carry out a successful company, but achieving a result of social character to help Ismael to have better revenues and to have a visible example about mine concern for community. That is why it was not included in the work team an analysis the business feasibility, which is not the same thing that the feasibility of the project.

The project team, worked arduously to look for a solution to make viable Ismael's business, inside the proposed solutions that was settled what they thought it would be the solution, it would be an obligation to all vehicles that travel from or toward the mines to descend in this intermediate point and to mark a control card in the place where the kiosk was located. It seemed to be a good solution, but it failed again, it was not considered the nature of the demand, again there is no reason to people stays more than the reasonable time to mark the card and eat whatever in the kiosk. But a couple of months later the kiosk closed and Ismael had to return to the highway to his original business, with the sadness of not having reasonable explanations of his failure, his illusions had flown until the limits of his imagination and he doesn't find explanations reasonable. When we talk to him now, he still thinking that the result are from a people's plot that first didn't allow him to sell prepared products in his own kiosk and then they would have influenced directly and indirectly in the failure of his business. He doesn't understand how people that he considers successful give him as an explanation that the problem is the location and they didn't think it before; he believes that it is an excuse to hide the real reason.

If you some time go by the Atacama desert in the road to the mines, you will see Ismael carrying his ice cream box and you could know his life history and about knowledge, which applied in a specific context it can be successful and in other not.

The total cost of the project was over 120,000 Euros, including the infrastructure, time of the brokers, materials and all the aspects related with the project, the official information it is not available, even never was calculated including all the issues, at least it is the declaration of the people involve. To have a comparative vision this money is the same that Ismael can earn in 15 years of hard work.

Through Ismael's dreams you can know which the lacks of a small entrepreneur are and how knowledge can help to complete them. It can also be understood that the role of the brokers should consider the business purposes from small size companies and the applied knowledge should be specific to these purposes.

7.2. THE SECOND STORY: A MANAGER IN THE GREAT APPLE

Without having completed his education, Luis Martínez had developed many minor works throughout his life, among them movie dispatcher, lifeguard, elevator attendant, he sells shoes, ties and clocks, and he worked as assistant in “Banco del Estado” of Chile. When the change takes place in his life, due to reasons that are not completely clear and he only elaborates speculations about them, he was fired.

His position as bank clerk allowed him to have a bank account and it facilitates him to obtain a visa to enter United States and to buy a ticket with four checks for paying

it, those that never were cashed, because when they tried to cash the first one the he was already in New York and his account runs out of money.

Martínez arrives in New York without knowing the language and by contacts of his family he got a job in the city horse race track, as a horse walker, his father had been a well-known horseman and he had relationships in diverse race tracks, one of his old friends gave him an advice that Martínez remembers with love: "There are several destinations in this country: one is to work, the parties, the friends and the drug."Choose" he said... even though his job last only for some weeks, it was good to be located in the city and to make the necessary contacts to survive and to get other jobs. Then he started to work in a Laundromat, in the kitchen of restaurants and cleaning house glasses, to save money should walk a long way to arrive his occasional works, and his restrictions were also nutritious, many times he did not have money to eat. Once in October 1991, he passes by a corner on Manhattan streets where there was a peanut car and the salesperson took pains in trying to get buyers, the smell and his food lacking impelled him to gather the coins for buying a peanut bag, however it didn't reach to gather the dollar that the coveted product costs, he tried to be understood with the salesperson, in a precarious English, in order to get a discount and which it would be his surprise when the salesperson offers him free a peanut package, speaking to him in his own language and even more in the "slang" of his homeland, Martínez had found a countryman.

The Peanut man was Jorge González, another Chilean that had emigrated looking for better luck and he worked as salesperson for a small Argentinean entrepreneur, Alex Rad. who was the peanut car owner. That day started his learning about this business, they were long time talking about anecdotes and misfortunes lived by both, while

astonished Martínez saw his countryman "how he was cutting lettuce", that meant that he received dollars and ordered them in his hand so they seemed a bundle of green leaves what looked like a lettuce. After some hours of chatting González proposed he to be his assistant in the peanut sale, and that was immediately accepted without more analysis by Martínez.

Martínez's initial dazzle would become an arduous work and a complex managerial adventure, where knowledge plays a central role in the whole story. Selling in the streets of New York, especially in those days it was a very complex task, where it prevailed the informality, the improvisation and the risks. However Martínez would go step by step facing these difficulties, his first days lapsed among anecdote and how funny was trying to sell, where he overcame the complications of the language with histrionics and friendliness, in this area Martínez had acquired knowledge from the times he was a salesperson selling shoes, clocks and ties in his home country, the keys for being a good salesperson he had dominated them and little by little he realized that were the same ones in different atmospheres, cities and languages: to call the potential client's attention, to present the product, to delight with the possibilities that the product offers, to maintain an atmosphere of trust with the client, to close the treatment quickly but without to press and to maintain the friendliness in order to the client possibly returns.

In the first month of work Martínez was happy about economic results, much better than his previous works, he had passed from 180 dollar weekly as a horse walker or glasses cleaner to 180 daily dollars, however something had prevented him to be really satisfied. Martínez had realized several lacks of the business, among them that the presentation of the car was neglected and the salespersons neither gave an attractive

image for buyers, the product presentation was also faulty as much its wrapping as its exhibition in the car and location was a key topic for the success of the sales, all these ideas were kept in his mind and he would apply them sooner or later.

Not speaking English was a smaller problem regarding not having residence papers, the police made continuous hauls on the salespersons and Martínez lived slope off not to be arrested, because it would mean his immediate deportation. Then he got a false identity, from now on he would be Julio Pérez American resident of Puerto Rican nationality, however the police continued being a problem, frequently they removed his car and/or the merchandise and recovering it meant to lose days of work and part of the investment, these months of running away and living in constant tension, being arrested and that his merchandise was confiscated teaches Martínez the behavior of the other inhabitants on the corners of New York city, most neither was formalized and work on a corner had a logic that he should learn, so he quickly understood that the location has the highest value in the street sale. New York corners were busy mainly by Greek, Egyptian and Arab that managed different kind of business among other sales as hot dog, sodas and souvenir, although they didn't compete directly in product with the peanut the lacking of corners and space made that the control of each place was very important, many times these places were disputed with threats and also with violent aggressions, Martínez learned how far this threats and violence can reach and the consequences he could face, could generally he can avoid them using his charisma and character to deviate the conflict and then to maintain a peaceful coexistence with projection to the future, because he should always think that his neighbors would still leaving in the area and it should maintain a calm atmosphere that was in benefit for everyone. It was also

necessary to consider the veteran of war, it is necessary to be located in the corner before they arrive, although he has permission, if you try to occupy a corner when a veteran has already settled, it is almost impossible to take him out since people are immediately on their behalf.

The work day is extenuating, from 5 o'clock A.M. when you pick up the car and immediately the merchandise that you are going to use during the day, then settles the car where you always do and it should be operative at 7 o'clock a.m. to avoid the problem with the veteran and any other interested person on the same corner, to 8 P.M. where the car is closed and taken to the place where you keep it during the night, that means 15 daily hours from Monday to Sunday. During this work day it should be considered logistical problems as the necessity of going to the bathroom, that which forces to have good relationships with the established business. During the winter the temperatures descend at extreme levels and it should be prepared to support the cold, on summer the situation is inverse, all this requires of integrity, brain and physical power, but mainly of knowledge about how the conditions are and how confronting them with success.

When he had already overcome many of his initial problems and the business went well, his friend González dies in a traffic accident and Martínez is affected with this loss, but not in his impulse to triumph in his work. A decisive step was getting work permission, he went to the New York's city hall, to legalize the street sale allowed him to work with more tranquility, that means he successfully use the chances that a formal system offers him through the institutional regulations to settle of entrances barriers to possible competitors.

He convinced Rad the owner of the cars that it was needed better presentation and a trade mark to attract more clients and Nuts4Nuts was born and it became the trade mark under which most of the peanut men work in New York. Every new improvement that Martínez introduced, it was reflected in better revenues in the peanut sale.

With the acquired knowledge he conquered the corner in order to improve his and he arrived to 58 street in Broadway, the one that is still his favorite corner and operational center for the definitive take off, at that time Rudolph Giuliani had assumed as mayor in New York and the regulations on the street trade and the police control in the city were increased considerably, with his already legendary politics of zero tolerance. Far from being discouraged Martínez has found in these new regulations, tools to increase his positioning in the market. Then, he decides to leave his favorite corner and he leaves a salesperson, in order to go to the conquest of other corners, he also marries an American citizen with who is projected in the business and he gets from Giuliani's administrations two new permissions, one for his wife and another one for him.

His business consolidates based on a simple recipe in the theory, but complex of implementing: to conquer the best corners in Manhattan, especially in Broadway and Times Square and when he acquired it he formalized his situation buying the corresponding permission, even though he had to pay twice or more than the price for each one, they knew that the value of a corner in those places was worth much more. With that method he got twelve cars in the best corners of New York City, and some more corners that he was conquering, formalizing, developing like center of business and then selling his rights for a lot of money, especially to hot dog merchants.

With more than ten years of enormous sacrifices and a notorious success, Martínez decides to return to his origin country, but there is no desire to rest but on the contrary he persists in developing the business that was successful in United States, in his own country. He knows that the local entrance barriers are as much as or bigger than those that he found in New York; however he is willing to overcome them. First he uses his image achieved with the appearance in numerous television programs and press articles that talk about the peanut man that built a managerial event in United States, to access to important managers that have supermarkets and retail business where a lot of people walk around, potential clients for Martínez, and he achieves from them agreements for renting privileged locations for selling his products. He repeats the same operation with government organizations, especially in the buildings that have great affluence of people and he goes increasing the number of locations for his peanut cars, he has put into practice all his knowledge when carefully analyzing how to reach people that take decisions and convince them of authorizing him for his business, he has understood that using the formalization and the rules of institutions they grant a great competitive advantage and big entrance barriers for hid competitors.

In only three years, he has installed and more than 200 operative cars in the whole country which produce him revenues for 100 dollars day, that represents around 7 million dollars per year, from what he receives an average of 50% less expenses. This only in his Chilean business, where he formalized the inscription of the trade mark Nuts4Nuts, the same one that operates in United States.

The business structure besides successful is innovative, each car works in granting and Martínez contributes them with his knowledge, the row materials and the trade mark

image and the salesperson contributes with his work, on the average he receives 50% of the sales, which is an approximate calculation from presumed sales, so a salesperson obtains 1500 monthly dollars on the average a lot more than the average entrance of their countrymen (600 dollars). Most of his workers are happy with the treatment and grateful for the work opportunity that Martínez offers them.

Today it has extended his business internationally and he has cars in Cyprus and Argentina, and he is working in his business in order to settle it in Spain, Italy, Russia and the Czech Republic. Each corner of the world is a potential business, for Martínez.

During many years in Chile the peanut sale has operated in the streets, however the performance of these business are not comparable with those of Nuts4Nuts, the analysis of what causes this lower performance has to do with the handling of products, location of the cars, managerial vision and knowledge of government regulations and not government institutions, that means in general have to do with the knowledge administration. Martínez, has an immediate success because he incorporates these considerations and shows advantages in every business aspect because he manage his knowledge very well and he appropriately exploits the regulations of the institutions, he even openly show his success keys since he knows by sure that they are difficult to imitate.

It is impressive the quantity of knowledge that Martínez should have managed to achieve the success in his business, certainly this was not spontaneous and he went him acquiring it step by step in his interaction with the problems that were been presenting.

How we highlight this knowledge, it doesn't come from the formal education but of his relationship with different conditions that he had to face. However, in the context

of his own country he didn't find the opportunities to develop his capacities appropriately, because the entrance barriers were very difficult of overcoming, in United States he achieved the entrance to the managerial market because it could advance on the barriers that he found there and how he was overcoming them he used the formalization and the institutional rules in his behalf.

Returning to his country uses the same principles that he had learned and used in New York, now from a privileged situation regarding the one that he had before leaving, and he can face the rigor of the institutions and their normative in a better way and he applies all his knowledge to obtain competitive advantages that are reflected in better economic results for his business.

7.3 THE THIRD STORY: A FLOURISHING BUSINESS

Ground cultivation has been per years the main sustenance of most of the communities in Latin America; today on the other hand poverty situation is an everyday situation, productive sources reconversion and migration to the city that it has very deteriorated Latin American farmers. Many small producers, have seen with desolation how many of their products have lost value in the time and how big consortia are occupying the floors for specialized cultivations in products for export, in which modern techniques and production machineries are used.

This story occurs, in one of these rural villages where there were many small farms from less than half hectare each, where the specialty was flower cultivation. In

general terms it took place two or three varieties of flowers, mainly to supply the consumption from the nearest city.

The revenues from this business were very scanty, and every farmer have to complement flower productions with other products, that allow them self supplying of food and other for selling and improve their incomes.

The government conscious about this situation developed several aid plans and encouragement for small size companies in the rural sector, in order to improve revenues using their primary sources of subsistence, like their farms and their knowledge in cultivations and handlings of small agricultural properties. These plans are supplemented with many others aid ones for poorest sectors in the society and those less benefits, among them women who work and is the economic support at home. So we meet with one of this aid programs operating to help forming small size companies of flower production in a rural sector with emphasis in the hard-working woman.

The program consists on a contribution in money for farmers, of 10,000 Euros that it should be supplemented by farmer contribution that should contribute with work, time and a small financial contribution and the farming lots. The commitment is to grant knowledge to generate nurseries of high efficiency for flower cultivation, helping them in the planting stage, to provide the raw material for cultivations, to design a strategy for establish what kind of flowers should be cultivated, and training them in the handling of the facility, maintenance and nursery sustenance.

In summary the farmers adopted this help very illusioned in the improving of their situation.

Farmers have been in this place per centuries, after the Spanish conquest and much before there is evidence of original tribes that inhabited this place and they were devoted among other activities to agriculture, therefore the ground work is an activity that has become trained from generation to generation for a long time.

The cultivation of flowers on the other hand, it has been a relatively new activity and the stories told by villagers locates it approximately on the last fifty years. Although before there was cultivation of flowers, it was not with commercial aims or at least it was not extended in the whole town, although the data are imprecise it would be origin of a cooperative that the parents and grandparents of current farmers at the end of the 50's tried to make prosper, and they had as objective the cultivation of flowers, then this business failed but the tradition survived in the time and supported the difficulties of the time and of many governments with diverse agrarian politics that made radically change the business of this economy sector.

As we had mentioned, the villagers are devoted to this business for generations and then the knowledge that they have about ground is not minor, they know for experience that this activity demands a great work and they depend on the waters for available irrigable, that means rain, cold, sun and from weather effects that their cultivations should be cared from plagues, insects and other depredators, also that the plants have a useful life term and they should be tried in a good way to maximize as much their performance as their durability that they should be replaced very often by younger specimens to follow the production cycle that they should be pruned for their flourishing, in short they could extend in explanations about the knowledge that they

should have in every stage of flower cultivation and especially of the species that they planted.

With whole that knowledge the results were still faulty, low productivity and the quality of the products were not good, they produced flowers of relative beauty but of little resistance and they didn't manage neither the colors, neither the sizes appropriately. However all these observations are made from a different point of view, where we are applying another type of knowledge to carry out this analysis, and it has to do with the technological advance in regards to agricultural production, new concepts of consumer's likes regarding the produced flowers and a new scenario for the flower business. Therefore knowledge from farmers should evolve to be competitive in the new scenarios.

The program begins defining who will participate on it, which will be the contribution from every participant and signing the complementary agreement among the parties. In specific matters comes a strong training for every renovated managers, in Hothouses installing, location of the nurseries, watering system, types of flowers to be produced, cares and maintenance of the nurseries, seeds, cycles of life of the flowers, their prune and special cares, fertilizers, handling of plagues and flower cutting. Farmers even when many of them had very low educational level and problems to read and to write, they understood all these concepts very quickly because they were familiarized with the knowledge of the exploitation of flowers and of agricultural cultivations in general terms, although they were receiving great quantity of information and new knowledge, these in some or another way could already be expressed as structures known by them and in many other was possible to show examples and familiar metaphors that were easily assimilated by them.

The success of the program expanded on the construction and installation of hothouses and nurseries, the concepts surrendered in the theory were materialized in good facilities that completed all the requirements to begin the production of flowers with a good standard of quality. Follows then with the seed sowing and applying all the acquired knowledge concerning flower facility care, stage that the farmers were still delighted with and following the learned procedures, and less frequently supervised by the monitors of the program, until they can handling it by themselves.

After several months of hard work, were obtained the results of what begun as a development project to a small size rural company, farmers and their mentors showed with pride the product of their effort, beautiful flowers that completed all the demands of the current markets in beauty, variety and durability, the happiness was immense and the ceremony of project inauguration was memorable, having as visitors important representatives from Central Government, wide journalistic covering and what was the main achievement of farmers, they had created a company with their own effort and they finally saw the fruits of their work represented in flowers of great beauty and quality.

After opening ceremony, it should go to the next stage which was to establish the company and to sell the flowers, was here where it began to appear another reality for our farmers, in the beginnings the impact was not very big because they continued selling their flowers to the same clients that they had before and having more beautiful and bigger variety of flowers, they increased the demand, but in the short term the sale fell at the historical levels that they were used to and then with surprise they knew that the sales diminished even more. What was happening?, It happens that the flowers when having more durability the traditional clients didn't require to renovate them as frequent

as they did before, the farmers were suffering of a terrible paradox of the market, when they improve by themselves their product diminished their demand. The initial euphoria had become grief and then in uneasiness.

The project had considered producing flowers for an objective market that the farmers could not access and it was not considered the commercial part. We face two different complexities, on one hand the knowledge is contextual it depends on which are the questions that an observer should respond (Maturana & Varela 1984). To make flowers with this quality requires having the demand for this product, in another way it is not possible to market them in terms that what do you do with the other flowers. On the other hand the institutions are only centered in to solve their problems and creating small size companies, it has bigger complexities of those than the knowledge generated by institutions, in the same sense knowledge brokers should be considered in all the aspects required for the operation of a company in another way the problems that we see arise, where the technical aspect has been considered in a successful way but it was not taken into account the contextual and worse the marketing aspect, including all its forms such as marketing, distribution channels and sales.

This story has the particularity that the government's institutions declare with a strong convincing that the project was a firm success and it continues being implanted in other regions of the country, and it has been extended to other agricultural products. Also they have the information and the instruments in order to for products marketing by the small size managers and in fact they show in their web site with a lot of information hoe to follow these lines, however if we consider the educational level of farmers it is practically impossible to continue with success the marketing way, starting for making

plans for business that are difficult even for some specialists. Again we find an incorrect definition starting from an inadequate handling of the administration of knowledge.

7.4. UNDERSTANDING FROM THE STORIES ANALYSIS

To be a small size manager is a very complex task and it requires an enormous quantity of knowledge in different areas that in general the managers don't have the possibility to manage all the necessary categories of knowledge. The knowledge of managers is centered mainly in the production, the nature of the products and the aspects related with the operative administration, and at the same time a great lack of knowledge of handling of institutional rules, as formalization, taxes, finances, access to the banking and credits, commercialization, marketing, distribution and sales.

Regrettably for the small size companies managers in a more and more demanding world of the current business, it is required more and more the domain of these specialties that the managers in general ignore, their personal knowledge in the operational topics and of product although they are necessary and indispensable they are not enough. Then it is required somehow to subsidize this deficit of knowledge. To get these subsidies it should be necessary get closet to the rules and formalizations coming from the institutions making them simpler and more governable for the managers, it is also necessary to increase the range of the broker's action so that their help it covers all the topics in what the small size managers don't have the required knowledge. The management of knowledge applied to the simplification of the institutional environments, the creation of new business and also the brokering mediation must include applied basic

tools on creating knowledge in the organizations. To consider the aspects of heterogeneity and standardization in the environment creation, the task of simplifying goes through the consideration of the heterogeneity of small companies and entrepreneurs. At the same time to be effective in the implementation and in the use and control these must be standardized (Argote et al 2003). External and internal knowledge as sources of knowledge creation and use must be integrated to the model (Zack M 1999; Nevis et al 1995; Jordan J & Jones P 1997). Also, it is very important to focus on the value chain that would be considered on product design, aside from the entire process and its effect on the outcome (Nevis et al 1995).

In the personal knowledge possessed and used for the entrepreneurs, the focus must be more on the use of the available knowledge and its interactions with the environments where the concepts and strategies of communities are applied (Brown J S & Duguit P 1991; Wenger E 1997), than knowledge creation. It is also important to include the subject of sharing the knowledge as far as the relationships that take place between the entrepreneur and his environments, also in the relationship with the brokers (Terrett A 1998). The balance between personal and collective knowledge where each one feeds the other (Polanyi M 1967; Wittgenstein L 1999) is an interesting aspect to be analyzed. It is the nature of knowledge and other aspects pertaining to epistemologies of possession (Cook S & Brown J S 1999), even though they have no relevance at the time of generating the final result.

Finally it is also important to create knowledge in order that the small managers would use it and based on those aspects the economic performance will improved without any doubt. The main conclusion is that in the small size companies a relationship arise

among acquired and previous knowledge (Cook S & Brown J.S. 1999) by the small managers, the knowledge created by the institutions (Nonaka I & Takeuchi H 1995) and the shared knowledge (Davenport T & Prusak L 1998) by the brokers; that it is showed in the use of these kind of knowledge and it affects the economic performance of small size companies.

7.5. A MODEL TO UNDERSTAND THE PROBLEM

I used a three level to understand the problem, the first one is the entrepreneur for itself and it is considered the center of the analysis, the second one are the environments were are including the institutions, the market and it is represented for the instruments like norms, regulations, procedures and rules. Finally the third level, I found the intermediaries who help to the entrepreneur in some specifics topics. Based on this three levels description, I proposed a model to understood what and how are the relationship between this level to manage the knowledge and how this interaction of knowledge produce or not economic results for the small and micro companies.

Knowledge of micro entrepreneurs is related mainly on the operation of their business, in a specific way. Instead to care about other aspects related with organizations. Knowledge does not exist to face changes especially in business structure or in aspect related with strategic management. With the own Knowledge the entrepreneur must to related with the instruments in the environments, those will be called Knowledge Possessed for the entrepreneur.

The institutions create instruments, expressed in rules, procedures, norms and regulations, based in a knowledge creation process. This process does not care about entrepreneur deficiencies. They are only expressed in accomplishment of its operational aims. Then organizations are not prepared to help MISE to improve their performance.

Finally in the model appear how the intermediaries help to entrepreneurs to use the knowledge created from the institutions, also is important to consider a creation of new Knowledge to be imitated, those is created for the institutions and copied or adapted from the entrepreneurs.

The resulting model from the analysis is presented in Figure#5. In this model, we emphasized that the institutionalism is formed by organizations and these organizations by individuals, the organizations are formal and informal. The Institutions creates knowledge that is expressed in regulations, procedures and norms. Some of these are

implicit and some explicit, but all these comprise the institutional environments.

Then entrepreneur from his personal dimension relates with the institutionalism based on the knowledge that he possesses and how he uses this knowledge created by institutions.

Therefore, the proposal to improve the output of MISE, is based on simplifying the environments, produced by knowledge from institutions which allows the current knowledge that entrepreneur has of it. There could be an established relationship between personal and institutional dimension that improve the capacities that impact global performance. It is appropriate then, to moderate the relationship from the point of view of making it more coherent and fluid for the entrepreneur.

The entrepreneur sometimes must interact directly with the Institutions, but at the same time appear an intermediary figure between the entrepreneur and institutions, those that we call brokers, to help them to understand regulations, procedures or norms and facilitate the use of their own knowledge. In the model it is represented using the knowledge that he possesses in the institution creations and using this knowledge providing support to the entrepreneur.

In our histories, brokering role was really important, in the case of the Ice cream seller and in the flowers producers this role was negative in terms of the final results, mainly because they did not consider all the aspects related with the institutions knowledge, focusing in particular areas that they had expertise. Then it is important to consider a systemic approach to the brokering role.

Finally, in the model appears the concept of New Business created from the Institutions Knowledge and related with the entrepreneur directly using their own acquired knowledge. It is important to consider that most business follow, establish and proven successful models, this is more relevant in the case of MISE.

The management of knowledge applied to the simplification of the institutional environments, the creation of new business and also the brokering mediation must include applied basic tools on creating knowledge in the organizations

To consider the aspects of heterogeneity and standardization in the environment creation, the task of simplifying goes through the consideration of the heterogeneity of MISE and entrepreneurs. At the same time to be effective in the implementation and in the use and control these must be standardized (Argote et al 2003). External and internal

knowledge as sources of knowledge creation and use must be integrated to the model (Zack M 1999; Nevis et al 1995; Jordan J & Jones P 1997).

Finally, I think that is very important to focus on the value chain that would be considered on product design, aside from the entire process and its effect on the outcome (Nevis et al 1995).

In the personal Dimension, we will focus more on the use of the available knowledge and its interactions with the environments where the concepts and strategies of communities are applied (Brown J S & Duguit P 1991; Wenger E 1997), than knowledge creation. It is also important to include the subject of sharing the knowledge as far as the relationships that take place between the entrepreneur and his environments, also in the relationship with the brokers (Terrett A 1998). The balance between personal and collective knowledge where each one feeds the other (Polanyi M 1967; Wittgenstein L 1999) is an interesting aspect to be analyzed. It is the nature of knowledge and other aspects pertaining to epistemologies of possession (Cook S & Brown J S 1999), even though they have no relevance at the time of generating the final result.

CHAPTER 8

PHASE II: EXPLANATION OF THE BEHAVIOR OF KNOWLEDGE IN THE MISE ECONOMIC PERFORMANCE

For the explanation of the pattern founded in the previous chapter, based on a study of Narratives, 48 interviews were made to the micro and small entrepreneurs, considering the criteria of saturation, that is to say, they continued with the process of interviews until getting that for each of the concepts to be explained, the marginal contribution of a new interview was not relevant as regard to the appearance of a new evidence.

We used to stratify the data captured, classification proposed GEM from the International Standard Industrial Classification (ISIC) to define economic sectors involved in the business and thus, has a reference to the behavior of firms by sector this gives us the following categories ISIC (Bosma N & Harding R 2007):

Extractive Fields: Which brings together agriculture, forestry, hunting, fishing and mining. This sector does not take into consideration the analysis, because it depends on the specific characteristics of each nation and small size enterprises related to this classification, may be considered in the other three types.

Transformation Sector: Related to the activities of manufacturing, storage and transport of goods, transport of people, construction and communications.

Services to other companies Sector: which brings together businesses in financial mediation, insurance, real estate, consultancy, professional services, among others.

Oriented to consumer Sector: Which comprises: retail, restaurants, bars, hotels, health, education, social service, recreation and others.

The GEM study suggests that while largest is national income, the number of companies dedicated to businesses service increase, declining in great proportion those oriented to consumer sector and a lower level those oriented to transformation sectors (Serida et al 2006). So the first concern was to seek knowledge associated with each sector and its characterization.

Then, three big groups were finally considered, Transformation sector, Services sector to other companies and final consumers sector, in this way how stories were built up for each of these sectors starting from the entrepreneur' own stories. Below these stories are presented:

8.1 FIRST STORY: THE TRANSFORMATION SECTOR

Thousands and thousands of craftsmen in the whole world get raw material that they convert applying specific knowledge and highly manufactured, in new creations of different nature from which have got as work material, they are those who are mostly part of the transformation sector. Despite the diversity of these new creations is broad enough, we find that there are common elements in all these entrepreneur and it is related to the specification of their works, the processes for the transformation of the raw materials entails finished knowledge of specific and complex techniques, the interactions between experience and application of these knowledge. It is very common to find in this sector that knowledge is related to learning in action carried out in the Expert-Trainee relation,

that it is being developed in time and it is transferred from one business to the other for the formation of new companies, process that it is only detained before the obsolescence of the product created or the arrival of substitute alternatives, it is then that this continuous of knowledge transferring or is rather detained or finally it adapts to the new conditions generating new products starting from the original product or from the knowledge of the original product. In the area of construction, some patterns of the manufactures are repeated, finding here that the specific knowledge in this case the services, since in their majority, the small entrepreneurs dedicated to the construction area offer services instead of products, they are specialized enough in the area and there is a lack as compared to the rest of the knowledge in relation to management and business diligence. The expert-trainee relation is very common and the command on several subjects related to the main field of business is also frequent, for example the entrepreneurs dedicated to the bricklaying know plumbing and installation and repair of various types of possessions, they are good as carpenters and have some notions of electricity, this situation is repeated in each of the specialties and it is common in the developing Latin American countries, situation proved in Chile, Peru, Ecuador, Colombia, Mexico and Argentina. In the developed countries, United States, Australia and Spain, there is a tendency to the specialization; therefore, the small entrepreneur in charge of an activity is an expert on the knowledge related to this specific activity.

Also in this sector we find the companies dedicated to the transport of goods or people and to the storage, where unlike in manufacture the processes are much more defined in general terms and knowledge is rather oriented to how the entrepreneurs have

adopted the rules and structural specifications, that instead of direct application of an specific knowledge over the product, as it is the case in manufacture or construction.

However, in both sub sectors we find evident similarities, as the fact of approach to the construction of the product or delivery of service is related to the direct knowledge on how to start from an initial cost and expense, it is done the delivery of a product or service different to that initial input. In the case of a taxi driver that starting from a vehicle, he delivers as a final service, the transportation of a passenger from one sector of the city to another place, the final product is different to the input and the knowledge of the taxi driver is related to his basic ability of driving, but mainly with his knowledge of the city and of the location requirements of services from his passengers. In the case of a manufacturer of musical instruments, that starting from wood, he delivers guitars as a final product, his knowledge is mainly related on how to shape the final instrument, all the characteristics that define him as such, even when the complexities can seem to be different, which makes common to these trades is the capacity of converting an element into another one and that knowledge is specific for each of the businesses being studied.

The field of communications follows patterns similar to the ones of the companies dedicated to the sale of products to public; this is because the small enterprises of this field are mainly found in small distributors of internet signals or long distance telephony. Some small enterprises dedicated to wiring services, network installation for communications and antennas, assimilate to the field of construction and follow their conduct in general terms.

In the manufacture sector, the relation of the entrepreneur with their environment, it is generally shown very little diversified and focused mainly in an intimate network in

which they outstand strong links with the line of learning the trade, the role of the expert-trainee and the links of their close environment, the relations with clients and suppliers are extremely specific where they outstand few clients and few suppliers, generally they move in niches of market (Porter M 1995) and the knowledge of support instruments on behalf of the government or other institutions or they rather ignore them or do not accede to it, since while being concentrated in small sub categories of small business, do not get the benefits of the plans that they mostly pretend to include as bigger segments of the market.

The construction with the environment in their relation as regard to the suppliers and clients is much more diverse and extended than in the manufacture sector and it requires, therefore, interpersonal relations of greater scope on behalf of the entrepreneur and therefore, more activity and application of knowledge in relation to the management of relation as well as capacities for negotiating, analysis of prices and business management. However, when we analyze the relation with the government and its offices, as with the aid organizations, the relation does not differ from other sectors analyzed.

The transport sector on the other side, responds to a mechanic completely different and we find on one hand, that it assists a great number of people and each entrepreneur has many clients on his own, most of them have organizations that serve as platforms of relation with the government and its environment, through these they show themselves as a force of greater compass to solve their problems and put pressure on situations of their own concern, also these organizations help them in some way to the business diligence and to their relation with the suppliers, however while making a

particular analysis for each entrepreneur, we find with the many general deficiencies of the other sectors in terms of economic performance and knowledge diligence. It is then acceptable that the efficiency achieved by the groups that permit the relation with the environment must not completely go beyond the individual diligence of each entrepreneur and, on the other side the global structure of the business responds to the rules negotiated by these organizations and the governments, where the entrepreneur can only act upon these established norms and, on the other hand, while being a particularly very structured industry and with very defined supports, they make from this business relatively easier few barriers of entrance and therefore, highly competitive, in which the individual diligence is very difficult and requires greater capacities from the entrepreneur for becoming successful. It is symptomatic that in periods of economic crisis, this sector grows in an evident way, transferring the undertakings from other sectors and creating some new ones, which reinforces the characteristics previously referred.

The communication has generally few suppliers, but a big network of clients similar to the sale to public, the relation with the government and other institutions is also scarce, for which businesses are administered based on norms and very elemental applied knowledge.

The most relevant characteristic that we find in the manufacture entrepreneurs is the high specialization and the expert knowledge, in the creation of the main product, in general they have learnt the trade from an expert and have improved it with the passing of years based on constant practice, if it at all exists some grade of incorporation of technology in general, the creative processes are rather of a craftsman, in many cases have adapted technology to respond to their specific needs. The change is a constant

threat on this sector since the expert knowledge that they have got, for many years of practice, is not easy to replace and even if they adapt in front of new opportunities or threats, it is the sector that strongly suffers any innovation or new requirement of the market. However, the basic capacities of the entrepreneur are in discipline and rigour with which they make their works and even though the expert knowledge is not easily transferable to other new products, these basic capacities of this sector do permit to include these challenges even against the impact of changing the main turn.

In the developing countries in Latin America, the knowledge of the small entrepreneurs of construction is very specialized in the services provided by them, but at the same time, it is very diverse for having several sub- items in their own business, this gives them great capacity for adapting to the changes and they have abilities for learning techniques and procedures, particularly manual or physical skills.

The transport and storage sector, it is just the opposite to the manufacture sector, it is in continuous change and its entrepreneurs are concerned of this, which comes from the nature of the business and on the other hand, from the necessary knowledge to practice it. The nature of the business, is defined by the technological factor in which the transport vehicles have a defined useful life and do not exceed more than 10 years, in general, the new vehicles incorporated to better technologies and greater capacities, this together with the specific requirements of population, make new roads to build up, routes and regulations. The specific knowledge of the entrepreneur, is referred to two big topics; the first one of evolutionary nature and is related to capacities for handling these changes, always supported by the organizations that facilitate them the task, by creating intermediate structures to facilitate the relation with the environment, in this specific

knowledge are related to how the emerging technologies are adapted and the changes of regulations, streets and routes, which more than the specific knowledge, require an attitude towards adapting to the new demands, and on the other hand, a more permanent nature of knowledge and it is referred to the assistance to people and/or transport of goods, where the basic knowledge even utilizing new vehicles, other regulations, streets or routes remain constant with the time, like the personal relationship, knowledge of services and locations requirements.

In the construction, it is not common the mediation in a direct way, if the complementarities between the different specialties of the small entrepreneur, this is given in a natural way by the effect of demand, the projects in general are of greater importance than their capacities and they work uniting the capacities of several small groups of different fields, like the bricklayer, the electrician and the plumber, or rather working in sub contract for companies of bigger size that in this case could assimilate to a mediator.

The mediation in the manufacture sector is not specially diffused, it is observed in the specific functions like accountancy and diligence of financial instruments, but very little in relation with the environment as regard to facilitate the access to new opportunities or reduce the threats risk, neither in the case of agents with suppliers or clients. This sector in general have direct relation with their suppliers and clients, since they are very few, as we have already explained in a preceding paragraph, and in the relation with the government and the environment, the relation reduces to the minimum required for functioning, in relation to the plans and program these generally helps to

orient more massive sectors and there are not many middlemen that operate the manufacture sector specifically for the nature of niche, its diversity and complexity.

In the transport and storage sector, the mediation is a very common practice and it is given in several levels, starting from the organizations that group the small entrepreneurs who help them directly in their relation with the authority and the norms, also with the relation with suppliers where are sub-mediators who handle the relation with the organization and also with the small entrepreneur offering two levels of service, the first of negotiation per volume and the second one, more specific of services oriented to each entrepreneur, particularly as provision of alternative accessories, service workshops or diligence systems for passengers.

The creation of new businesses or instruments that are transferable, and means improvements or opportunities for the entrepreneurs of manufacture, is not a common practice, moreover it repeats the constant signs that in general while being very specific niches, it is very hard to find initiatives of this type, that if rather they have existed in general, the results have not been satisfactory, specially for the complexity of the niches and on the other hand, have been deficiencies in the implementation of the programs, specially in the application of the knowledge on behalf of the people in charge of the implementation and deficiencies in the design while not considering the structure of the business.

The creation of new business, in construction, is rather defined by the growth of the sector at a global level, which is controlled by big companies and the small ones get the overflow of the biggest companies generally expressed in sub contracts or maintenances to the infrastructure created by the big ones.

In the case of the storage sector, the structure and creation of new ways of businesses is the norm and it is given specially and continuous negotiation among the entrepreneur organizations, the government and the environment. However, the instruments created of general character and not specific for each entrepreneur, this is of benefit for the industry and is continuously adapting to the new instruments generating positive results.

The new businesses or designs to be imitated in communications are mainly given by the technological changes and there are no policies that impel these new creations of opportunities. However, it is a business extremely dynamic in relation to the creation of new ways, but at the same time extremely risky, since these opportunities do not remain for a long time, then the entrepreneur must be continuously in alert to the changes.

8.2 SECOND STORY: THE SERVICES SECTOR TO OTHER COMPANIES

For its nature, it is in the sector where we find the greatest education levels, specific knowledge derived from the formal education, capacities and growth projections, knowledge of the basic rules of business, knowledge of company instruments, and sophisticated relations with the environment and adaptation abilities in front of changes.

The specific knowledge of the small entrepreneur who render services to other companies is referred to three relevant aspects: The first one is related to the expertise of the product or service offered, the companies in general demand greater levels of quality than the personal consumer and have greater controls than the last ones, therefore, the entrepreneur' knowledge on the service or product delivered must be of a very good

level, the second relevant aspect associated to knowledge is related to the efficiency in the diligence for delivering the product or service, where it is essential the knowledge on behalf of the small entrepreneur on the diligence of delivering it, that includes commitments, times and terms, distribution channels, presentation, qualities and other specific in relation to the delivery of the service, finally they must know about the handling of the interpersonal relations with the companies through their representatives or interlocutors, that generally are a line of them in case of medium or big clients and in the case of small companies, the direct and personal commitments towards a small entrepreneur, relation is not exempt from complexity. The number of these companies is considerably less than the one of the other sectors of the classification, in Chile from the 700 thousand micro and small companies of the formal sector, only 25 thousand belong to this classification, however as the PIB income of the country goes increasing, the number has grown in direct relation to this growth. Therefore, they represent a sector to be studied, more than to orient the public policies or apply the foundations of this study to this sector, represents a measure of success of internal growth and on the other hand, an indicator of a redistributed diligence, of existing more of these companies, it will be greater redistributed capacity and of success of the micro and small business.

In general they have the possibilities of acceding to the formal aid systems, financing and they know on how to start relationships with the institutions, even when this relation is not necessarily given or is well used when it happens, the involvement of relations is higher than in the other sectors studied and the economic performance also is.

The problem is that in the developing countries, the companies of this type are only a small portion of the total; instead in the developed countries correspond to a percentage much higher of the total of the small and micro enterprise.

In this sector we find very clearly that the factors of success of the small company explained in the literature are very enhanced and they become reality in the keys of performance of these companies, it is so how we can see working many companies in niches of markets of great specialization where their capacity for producing goods and services for other companies are the distinction that gives them competitive advantage which permit them to operate with good economic performance, this is defined as the specific niches (Porter M 1979); the knowledge of these companies are highly sophisticated in very specific products or services and which are not attractive for the big companies for the difficulty that implies to produce them and the small market in relation to their other businesses, the difference found among these companies that render services to other companies and the other ones that also participate in niches is in the greater capacity of these in handling the relations with the environment and take advantage of this knowledge.

Also here we find companies that permit to diversify product lines offering greater variety with respect of producing something specific that the client prefers, but that the massive market does not require, therefore, there is no opportunity for the biggest companies to dedicate themselves to that product, this is described in literature as the specific demand (Caves R. & Porter M., 1977). Tightly related to the previous statement, we find the heterogeneity, that implicates that in one particular industry, the characteristics of the products are distributed heterogeneously among the agents;

therefore it will be companies of different sizes and companies having this capacity as a product or service to other companies (Lucas Robert, 1978; Acs Zoltan & Audrestch David, 1990). The concept of undividable (Rosen Sherwin, 1983) understood as the complexity each of the processes or products and how much investment demand added require to be produced, this is if for producing the final goods, it is required a big investment, the small companies won't be able to locate in that segment, it is common in all the small and micro company, however, in the service sector to other companies, it is expressed in the sense that if they rather operate with small investments, suplen with specific knowledge and in many cases with talent the lack of investment. The efficient size of the operation plays an important role, in this sector, though we will understand that the factors of success of the small company function for the whole classification of these, in this sub sector has been more evident its analysis mainly for the greater knowledge of the entrepreneurs, we see then that the small companies positioning efficiently when the marginal cost is higher than the medium cost and they are at the time where the size of the company becomes an economic problem and the small companies have comparative advantages (Stigler George, 1958); an example of this we see in small businesses of sewing that they produce great trademarks of clothing where the marginal cost for producing more unities of a product, it is very high for the big enterprise and prefer to deliver to many small companies where the medium cost is lower, therefore, the small will be more efficient. The structure of costs where there are no scale economies and cannot be covered with big volumes of production, the small ones will be more efficient (Caves et al, 1975, Acs Zoltan & Audrestch David, 1990), however, this phenomena is not appreciates much in this service sector to other companies mainly

because the greater demand of these services come from bigger companies and the efficient size of operation is defined effectively for using that scale economies with high volumes of production, therefore, the big ones prefer in these cases their own production

8.3. THIRD STORY: THE SECTOR ORIENTED TO THE CONSUMER

In the sector oriented to the consumer, is where we find the greater number of small and micro enterprises, and in the developing countries, the proportion is even much higher. Therefore, it is here where we must center any initiative in the sense that the improvement of the economic performance of the small and micro enterprise, will be the emphasis over this sector, which will make as much relevant as soon as the policies or the patterns work for the whole small or micro company, or rather in a different way, a migratory effect is produced from this sector to the service sectors to other companies or to the transformation sector, which also must cause a positive effect in the performance.

The variety and heterogeneity of enterprises that we see in this sector is very extensive, but on the other side, they also respond to common characteristics that can be extended to the whole sector.

The first characteristic that stands out from this sector is that in general it is appreciated that business is structured in base of products or services coming mostly from bigger companies, which have designed a strategy where they use many of these small companies as distributors to accede to the final consumers, it is very easy to warn that if one visits any souvenir shop in the biggest cities like Barcelona and many others, the products they sell are exactly the same found in many shops of the city, all of them

produced by a company of a bigger size, the same happens for the telephone and internet services where many small ones distribute the signals that they get from big companies, the raw materials of the restaurants the same and thus most of the products offered by the small and micro enterprises oriented to the final consumers are produced by other companies of greater size and that control complete price lines, opportunities and products.

Let us analyze the role of the small entrepreneurs in this business, starting then because the knowledge of the small entrepreneur is not related with the production or creation of the base product, but mostly in the structure of the rendering of service to the final consumer, considering that even the intermediate aspects of product presentation, location of business and other aspects of marketing, distribution and sales are defined by the biggest producers. This knowledge is finally expressed as it is defined the delivery of the product to the final consumer, then this type of entrepreneurs what they really sell are not products, but it is a delivery service, therefore the characterization of the specific knowledge of the entrepreneur, has to be in the definition of service and how this is delivered to the final consumer, including in this knowledge the preferences of the consumer, habits, economic capacities and in many cases offering designs with payment term alternatives, that compete with the traditional credit systems, cards and others available by the big companies, in this design the small companies deliver credit alternatives to their consumers based on the specific knowledge of each of them to whom it is granted the credit and it is increasing the risk value in the parameters utilized by the big companies, here it complies with the marginal cost of the control of a micro credit when a big company grants it, it is higher than the medium cost since it indicates that the

size of the company becomes an economic problem and the small companies have comparative advantages that permit them to give this service (Stigler George, 1958), the control that they perform on the credit is personalized and in this way they decrease their risk of non-payment, this alternative is curiously transformed into other integrated service to the main service that grants better possibilities for competing, but at the same time it demands a specific knowledge both from the people to whom are granted the credit as well as from the management of the same, considering among other the amount, the terms, the interest, the term payment and the refinancing systems.

Regarding the delivery of the service as such, in general it is appreciated that the entrepreneur delegates to their direct employees and unlikely to the other small companies in the classification where the entrepreneur is involved in the whole process, here he is in the design and control, but not necessarily in the delivery to public. Then, it seemed that the knowledge in relation to its relationship with the final consumers was less important and therefore, is delegated, however it is observed that there are important differences in the business performance which are produced by the difference of knowledge of those who have the contact with the final user. The argument that we find in the small entrepreneurs is that when they deal with the suppliers, they need too much time and energy, and their labor of direct assistance to public is easier than to delegate protecting mainly the control of loses and thefts and also have proved from their own entrepreneur that there is negligence from the entrepreneur for this function and definitively they dedicate less hours to work, sacrificing performance knowing on this respect.

The entrepreneur' knowledge of this sector with regard to the relation with his environment should then be higher than in the other sectors, since in his own opinion, he dedicates his greater effort to this relation, mainly with the suppliers. Well then, the results indicate that the time that the relation demands them with the suppliers does not make necessarily more efficient this function and this is mainly because the suppliers are the ones who design the global business and the small entrepreneurs only are their distributors, that at the same time, they have scarce negotiation power and to keep themselves in touch, they have to continuously be in alert to the changes in business design, changes in the mix of products, preferences of the consumers and in prices strategies and characteristics to which they must continuously cope with and for which they have a passive role only as an adopter of solutions, which is not simple, because there is no capacity of maneuvering them, many times they can lose important amount of merchandise in stock or not have money for taking benefit of the opportunities that the small gaps leave, as a result of the continuous changes. An important aspect that these entrepreneurs handle is the seasoning of their products and be prepared to administer the impact that this cause both in the clients as well as in the products. But the environment is much wider than the suppliers and in this spectrum we find that many companies are located in special type of mini clusters sector, where they sell their products in small shops that replicates all over the sector, in these markets it is common to find associations of small entrepreneurs having as their aim the relation with the owners of the shops or the officers of the government who administer the permits and in this respect, acting as company stores, they increase their negotiation power and can accede to the aid of the specialists that improve their position with regard to the entities which are their opposing

party. Excepting these company stores, no evidences were found regarding other relations with the governmental entities, the financial or bank sector and in general with all type of organizations related to small and micro entrepreneur, that was different from other sectors, that is to say, the relation is minimum, there are much difficulties to accede to the formal market of money, there is no knowledge for improving this condition, a little of the aid programs for the sector is known, the training programs are of less utility and are considered as a waste of time, in general they find difficult to subsist as a company in the formal sector, starting from the creation of a company, the requirements for opening it, for operating and the controls and demands both of taxes as well as of functioning norms.

Broker Knowledge in this sector are mainly in the company stores associations that are part of the small entrepreneurs, but with a specific aim related to handling of location and operation permits. Also same as in the companies of other sectors in the presentation of accountancy, invoicing and tax control. There is no relevant evidence of mediation for other specific purposes, and the main relation is the one handled by the suppliers that more than an aid mediation it is related to the control and implementation of the business design on behalf of the supplier, which although in many cases, it is positive for the small entrepreneur to maximize the business of the supplier and not of the small company, this because the supplier's performance is necessarily from the amount of the maximum performance of all their distributors, which is clearly described by John Nash (1952).

Continuously we can see new designs in this sector, but these are directly related to the introduction of new products, either by seasoning changes or substitute products or

competitors in the same niches of markets which are already cornered, that is to say there is no creation of new opportunities that expand the already existing possibilities.

This is clearly the consequence of the control of business designs on behalf of the main suppliers who compete and exploit their business in limited groups of products and concentrate their efforts in the existing markets and in the needs already defined of the final clients.

8.4. ANALYSIS OF THE STORIES AND EXPLANATION OF THE RESULTS

8.4.1 KNOWLEDGE IN POSSESSION OF THE ENTREPRENEUR

From the stories, we can conclude, that the entrepreneur in the transformation sector, has great capacity of expert knowledge that he applies directly in the creation of his product or service, in the case of manufacture or construction, this has been acquired through years of practice generally following the teachings of an expert and in the case of the transport or storage, applying the rules and structural specifications of each business. Starting from this condition, it is possible to analyze, the knowledge of these entrepreneurs with regard to the environment and the rules or tools required to conduct a business and that has nothing to do with the creation of the product or service, considering the initial intuition that the entrepreneurs mainly the manufacture or construction are in the meantime handling very specific expert knowledge for the creation of their products would be far away from the rest of tools to conduct their business, and that the entrepreneur of the transport or storage area while knowing the structure of their business, would be easier for them to be more aware of these tools or techniques, we have

found that in both cases they respond to the same logic and is related that in the first case, the manufacture or construction entrepreneur along with learning their own techniques of creation of their products, at the same time have incorporated the knowledge of the relation with their environment and the basic tools for business, which do not make them particularly efficient, since they have no capacity for expanding those knowledge or generalize them, since they understand their operation and not the foundation of these.

The entrepreneur of transport and storage, also incorporate the rules of the environment as an extra tool within the structure that their business demand, but same as the craftsmen have no capacity of generalization, since they don't understand the foundations of this other knowledge.

In order to illustrate this, let us see the relation of the entrepreneur with their suppliers, so that we can analyze how these limitations of knowledge are. The manufacture entrepreneur generally buy from the suppliers who historically have supplied the sector and businesses that preceded them and from which they were born. In this relation it has been established trust links and in general they work in a good way, however, there are no evidences that in the small enterprises market analysis are made or study of the relation with their suppliers looking for better prices, alternative materials or other ways of improvement that commonly are seen in the client-supplier relation in a big company. It is in this way that in front of changes in the markets, the small entrepreneurs are not prepared to react. In this way, the knowledge of the small entrepreneurs, although present limitations to establish relations of technical-management type with their suppliers, they do establish relations of trust that permit them to replace in some way the deficiencies since they generally operate with a few products and the variability is less,

therefore, that closeness with the supplier compensates in some way the scarce knowledge in this field, however it is not enough for times of crisis nor for growing or getting higher profitability, to start from diligence with the suppliers.

In this way, for each of the interactions with their environment, we can see that the knowledge in possession of the small entrepreneurs, present clear limitations being each of them compensated by the reduction of variability while reducing the number of these interactions or in a different way, simplifying the complexity of the same, this present serious inconveniences for facing critical periods or potential growth.

The entrepreneur of the service sector with other enterprises, have a great capacity of expert knowledge, though not at the level of manufacture sector, they are compensated with greater capacities of understanding the environment and the knowledge mainly coming from their clients and from the relation of these with their own environment and mainly from the demands that they extend over these small entrepreneurs, therefore, we can see a great capacity for handling formal knowledge greater than in other sectors.

The service sector to the final consumer, the expert knowledge and the formal decrease by increasing the capacities of definition of services and the delivery to public of final products, this is when the relations are oriented to the final consumer, paradoxically it is appreciated that these functions are delegated to employees being them in charge of delivering the service to the final consumer and the entrepreneur in the design and handling of their relation with the supplier.

8.4.2 KNOWING

A distinctive component of the small company, which is revealed in the stories of the entrepreneur, it is related to the complex processes of application of the specialized knowledge that each of the business require. In the big company, there is a design of the business in which each of the activities are modelated in such a way that the people who perform them are adapted to this design and the specific knowledge respond to the needs of this design and are of explicit nature, that as it is acquired the experience starts complementing with the knowledge acquired in the performance of work, however, the business design in general is prepared to function in front of continuous changes of personnel, which again will confront to the process of acquiring the knowledge to perform the work, then the organization is prepared to work in base of the application of explicit knowledge which is defined by the pattern of business and an applied knowledge or tacit knowing (Cook & Brown 1999) that depend on the capacities and permanence of the people in the company. The small company instead, depends much more on the applied knowledge and the experience of the entrepreneur than of the business design, this last is the result of the analysis of evidence gathered, and I am not saying that it is better or worst than the performance based on a business pattern. In fact, the results of the research astonish us, while showing that the reality of the small and micro enterprises respond to the generic patterns of the enterprises, many of them depending of a design controlled by big or medium companies, specially in the majority services sector to the final consumer, it is common to see that there are many small enterprises which are

nothing else than distributors of other bigger companies and the business design is controlled and is caused by these companies of bigger size, this we can appreciate in all type of companies, in the consumption companies we find that the products being sold are the same from one place to the other, for instance, the small companies that sell shoes or clothing in general what they do is to commercialize products from other companies of bigger size and their plenty small companies having the same products and they locate even in the same physical places of sale to public, at the same time in some cases these products are produced by many small companies which are sent by these bigger companies that entrust other small companies the making up of the products. The transport companies for instance, use vehicles produced by big companies, the food sale companies, the raw materials come from big companies, some also are intermediary that have also as suppliers the small companies. That is to say, in general the small and micro enterprises respond to structural patterns that are designed by bigger size companies, either because they use their products, because they are distributors, because they are suppliers or rather tend to imitate the successful business patterns of these bigger companies.

The explicit knowledge of the small entrepreneur is based on the design of the business and it is bigger as more complete is the definition of the pattern, these are definitions of the business patterns the ones that mark evident differences in the configuration of business in the developed countries as compared to the developing countries, in the first, the regulations, incentives and mainly the structure of business permits definitions of patterns with more emphasis in the construction of patterns of small companies that work in a global system, instead of, in the developing countries, the

patterns are more focused in the imitation of successful experiences or rather in adapting some general rules, in this way the explanation of knowledge in the companies with better defined designs, will be greater. An example of this, I found in the comparison of a mining exhibition in Australia (AIMEX 2007) and in Peru (EXTEMIN 2007) carried out with 2 weeks difference, in both the company where I work to install their stand in the fair, got in touch with small local companies for the design and installation of the stand, both were made in a very professional way and the results with regard to the appearance, quality and cost were very similar, however while interviewing these small entrepreneurs, surprising stories came up, with respect that how results apparently similar in the delivery of a product or service, had nature, design and very different results for the small entrepreneurs rendering the service.

8.4.3 KNOWLEDGE CREATED BY THE INSTITUTIONS

The creation of knowledge on behalf of the institutions or the environment of the micro and small entrepreneurs, who express themselves finally in rules, procedures or activities that the entrepreneur must follow or accomplish to perform their works, it is not necessarily oriented to the small company, except the institutions that dedicate specially to work or interact directly with this sector, on the contrary they find that in general these rules, procedures, or activities are thought in general for big companies, to avoid frauds or deceits, or rather have the aim of including the greater number possible of users at the lower cost possible. This leads that the knowledge created and expressed in these instruments is of great complexity or represents barriers for the small enterprises

which are not prepared for this type of demands, since they do not have the knowledge to understand, utilize or comply with the demands required by these instruments, the big enterprise does not have the capacity for hiring that knowledge, for example, the big companies have lawyers, accountants, financial experts, of marketing, of sales and many others who do have the knowledge to utilize these instruments created by the environment, and even more they can take benefits from these, this makes the gap between a small entrepreneur and the big companies to become very big. Then, it is confirmed the proposal of the pattern in relation that the instruments created by the environment should be more simple, so that the small entrepreneur can, with his knowledge that he has got, utilize it in a better way and get greater performance in his company, this is not another thing that the environment must orient the creation of its knowledge in preparing more simple instruments that protects the easier approach to the small entrepreneur and at the same time that these instruments to be created protect the controls and regulation purposes that pretend in its origin.

From the stories of the entrepreneur, we find the explanation of this situation for the fact that the institutions, in general, do not have neither as an objective nor incentives to help the economic performance of the small company, it is then that instruments developed are rather oriented to the control or to the fact of not causing deviations with regard to the interactions expected with the thousand of the existing enterprises. It is then, that the institutions generate sophisticated knowledge that it is expressed in complex rules and interactions which become very complicated for the small entrepreneurs, derived precisely that the role or the objectives are not centered in the aid, but in control. The fact that the institutions produce more simple instruments to facilitate the use of these on

behalf of the small enterprise is mainly given for the change of the objectives of the institutions and not necessarily for the complexity of knowledge that would require these new instruments. However, the pretention of doing both things at the same time, that is to say, to generate more simple instruments and that at the same time they comply with the current objectives of the institutions, implies that the knowledge applied in developing this specie of mixed instruments are more advanced and the results are not necessarily applicable. That is to say, they do not satisfactorily comply with none of the two purposes.

8.4.4. THE ROLE OF THE BROKER KNOWLEDGE

The analysis of the stories precise us with lot of clearness that the existence of middlemen is given in three main ambits, the first one is related to the support in the basic services and that cannot evade, mainly with the account and direct controls of the state institutions, here the middlemen embodied in small accountancy enterprises and services are multiplied exhaustively and render a real important support to all the variety of small and formal micro businesses, at the same time it is observed from the stories that these services are focused only to comply with the minimum and compulsory requirements imposed by the state institutions, the extension of these services is not mostly given due to the fear of the small entrepreneurs for the costs that this implicate and that to remain ignorant on the effectiveness of retaking this type of investments, that is to say, they do not have the necessary knowledge to evaluate the benefits for increasing the services of the direct middlemen. The second role where middlemen appear, is the

group of small entrepreneurs, very common in transport, agriculture and retail trade sector, where the small entrepreneurs are grouped in company stores or union groups with specific purposes and hire through these groups the services of middlemen to help them in achieving their objectives, within these middlemen here we have mainly the lawyers or juridical advisers, who help them to get concession from the state institutions or to prepare joint policies to obtain some specific advantage, by no means it is seen that these advisers are destined to upgrade the performance of business. Finally, the third aspect where the middlemen appear is in the role of supplier companies, are generally bigger than the small companies and deliver to them not only products and services that finally they distribute or commercialize the small companies, but also they design the strategies of business, they study the market conditions, they define products, strategies of prices and design instruments of marketing, all these that would seem to be oriented to improve the specific performance of the small company, finally does not occur in this way since all the design of the supplier company and mediating, is only oriented in maximizing their own benefit and does not necessarily the one of their distributors. Then in the three cases of mediation, the contribution of this on the economic performance of the small company is extremely poor, as compared with potentials that can be achieved a good mediation, however here again we are having a problem of objectives of the intermediador same as in the one occurred in the design of instruments on behalf of the institutions, both cases the objectives of the individual or institution are not related with the performance of the small company, therefore, the knowledge is focused in satisfying these objectives and not the one of the small entrepreneur.

8.4.5. CREATION OF PATTERNS TO IMITATE

The study reveals that the small company mainly imitates the instruments available in the market, directly while they fastly copy any apparition of a new successful entrepreneur or rather fashion products in the market. This is particularly visible in the periods of economic crisis, when important work sources disappear, linked to the medium or big company sector, proliferating new small entrepreneurs linked to the most simple activities of copying or implementing, as small undertakings of food or services of transport for passengers, this situation also occurs in good economic periods where the undertakings imitated are fashion business that has reached temporary success. Well then, this capacity of imitating that is linked mainly to the capacity of adapting knowledge and fastly acquiring the elemental capacities of a new entrepreneur, could be exploited if there were more entrepreneur to be imitated and also instruments within the existing business that are easily adapted and integrated to the business on behalf of the small entrepreneurs.

8.5. CONCLUSIONS

The knowledge in possession of the small entrepreneurs, although is broad, it is also very specific with regard to their products or services and do not permit them, to utilize to understand the demands of the rules, norms and processes created by the institutions in their environment. This makes to get related to a smaller number of these, losing valuable opportunities for increasing their economic performance.

In figure# 7, we can see the effect for not exploiting those opportunities

The type of knowledge in the small and micro business, is mainly related to a deep knowing of the business in terms of the product or service delivered and it is given

by the continuous practice of the entrepreneur, this means that the knowing (Cook & Brown 1999), showing in figure #8, who is related directly with the building of his products or services, it is the main component of its knowledge, consigning the explicit knowledge to very specific application tasks of prescriptions or norms coming from third parties, like suppliers or government regulations. This characteristic permits most of the public training policies to this sector or the creations of new entrepreneurs are generally unsatisfactory, since it is very difficult the generation of this knowledge.

On the other hand the lack of explicit knowledge regarding to use the external instruments, norms, procedures or rules, produce weak link between the possessed knowledge of the entrepreneur and the knowledge created for the institution the knowing in terms of action is not good enough and the bridging of knowledge was poor. See figure #9.

The knowledge created by the institutions, and expressed in rules, norms and procedures, is complex for the small entrepreneur who with the knowledge that they have, cannot interact in an efficient way with these, since the objectives of the institutions are not aligned to the objectives of increasing the economic performance of the small business.

The knowledge used and possessed for the entrepreneur in the sector who served to other enterprises is more extensive than in the other sector, those entrepreneurs have more formal education level, also they know about the basic tools for related with the institutions and they have better economic performance of the other sectors, in the figure #10 we can see the distribution of the different sector based on the Gross National Product per capita, and it is possible to analyze the contribution of the MISE to the GNP and the participation in the different economic sectors.

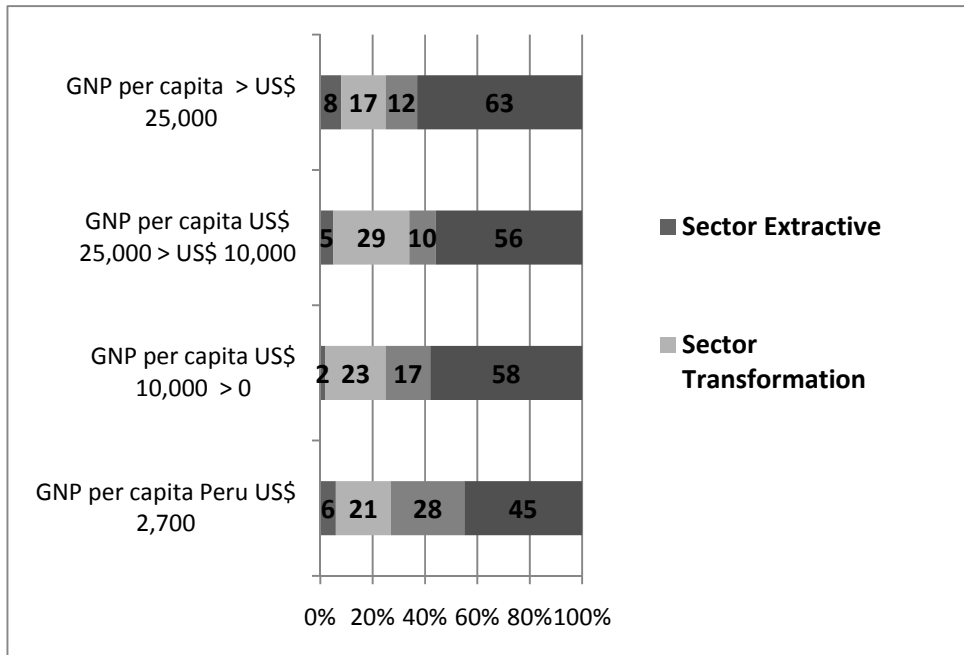


Figure #10 Distribution Based on National Income, GEM 2004

Broker Knowledge acts with the small businesses or rather satisfying the basic requirements of these, mainly for the ignorance of the small entrepreneurs with regard to the benefits that can be got from these mediations and the costs that this have, then it is generated fear in investing in something whose return is uncertain. On the other hand, middlemen of big supplier company, have their aim in maximizing their profits and not the ones of the small entrepreneur, therefore, they do that.

The instruments to be imitated are the ones that have been created with general purposes and with spontaneous apparition in the market for their own rules and there are no integral policies of creation of specific knowledge in this respect, although there are programs oriented to this which are incomplete or inadequate.

CHAPTER 9

CONCLUSIONS, IMPLICATIONS AND FUTURE RESEARCH

9.1 CONCLUSIONS

By using a qualitative approach, this dissertation answered the main questions stated: Which type of knowledge and how does the use of knowledge on behalf of the entrepreneur of the small and micro Enterprise in relation with his environment affect the economic performance of their enterprises.

Also, I answered two secondary questions, how does the environment affect the use of the entrepreneur, knowledge and which factors of the knowledge produced by the environment or institutions improve the use of the entrepreneur' knowledge.

By using two phases, the first one to understand and the second one to explain the problem, this dissertation found the elements of use of knowledge, creation, sharing and brokering, among the environment, the entrepreneurs and the intermediaries to understand and explain how it affects the economic performance of the micro and small enterprises.

1. Type and use of knowledge

Based on Cook and Brown's (1999) studies, we can distinguish the types of knowledge and their use for the MISE entrepreneur, as follows:

Epistemology of Possession: The base knowledge of the small and micro company is of tacit knowing, this makes more difficult to reply and to extend it,

moreover as regard to the explicit knowledge, there is an important emptiness affecting mainly the relation with the environment, therefore, the knowledge management of the small entrepreneur is very difficult and has repercussions on the economic performance of the same.

Epistemology of Practice: Based on the knowledge possessed by the entrepreneurs that had considerable problems to establish relation with the formal process, norm, rules and elements of their environment, including the government institutions, banks, financial offices, market, customers, suppliers, etc. This characteristic, defines the poor performance of the MISE when the entrepreneur uses the knowledge to establish relations with the environment. However, the practice of knowledge running the specific complexity of the business is very good.

The explanation was found on the fact of the majority of knowledge acquired for the MISE entrepreneurs coming from a master, who learned the specific of each business from other master, and they improve their knowledge on the practice using the principle for bringing epistemology from Cook and Brown (1999). The formal knowledge acquired come from the school and the MISE representing the sector with less educational level compared with the other enterprises, the specific knowledge running a company in their relation with the environment is poor, then the results reflected in the economic performance are also poor.

An important issue is to recognize the duality in terms of type of knowledge and the use of knowledge on behalf of the entrepreneur of the small and micro Enterprise in relation with his environment affecting the economic performance of their enterprise, as I mentioned in the precedent paragraph in which we found two types of knowledge; one

related with the nature of specific business and the other one related with the understanding of the environmental or institutional conditions, the first one is mainly of tacit nature and the second one is basically explicit. The problems come from the misunderstanding of the nature of knowledge of the MISE entrepreneur as a whole, then when policies for helping the sector are referred to a one type of knowledge that produces negatives effects on the MISE economic performance.

3. The Environment

It has been found that the knowledge created by the institutions and expressed in rules, norms and procedures is excessively complex and affects negatively the relation of the small entrepreneurs in the environment making them losing opportunities, that they cannot improve their conditions and diminish their efficiency, therefore their economic performance is affected in a very negative way. The fact of simplifying the knowledge will help to improve the use of these functional natures on behalf of the small entrepreneurs, as Dewey (1916) analyzed the knowledge in education, and in this way the MISE will increase their performance.

The explanation is found in the fact that the knowledge created by the institutions, and expressed in rules, norms and procedures, is complex for the small entrepreneurs mainly for two reasons: the first one is that with the knowledge that they are having, they cannot interact in an efficient way on these, and the second one is that the objectives of the institutions are not aligned with the objectives for increasing the economic performance of the small companies.

4. Brokering Knowledge

The brokers' Knowledge can play a decisive role in the use of knowledge (Hargadon & Sutton 2002), as regard to take better benefit of the existing opportunities or creating new ones, also in the use of available instruments.

The explanation for why this happens in this way, is that the incentives and the Market only facilitate their way for acting in a limited way and appear only in sectors and in very specific matters.

5. Imitation Patterns

The creation of new knowledge, expressed in new business and or instruments that permit the small entrepreneurs to increase their output, is for obvious reasons and for an important focus of attention. However, this must respond to a systematic focus of business and not to isolated or partial solutions.

The explanation is related to the new business or instruments that they feel they are not satisfying all the knowledge required by the small entrepreneur, that is to say are focused only in some part of the problem and neglect other, when they deal with the subject of creation of products or services, the guidance is given to the practice of transference of knowledge or tacit knowing and it is neglected the formal part of the business and its structure, and vice versa when it is defined the structural part of business, generally is neglected the part of the specific knowledge.

9.2 THEORETICAL CONTRIBUTIONS

The first contribution of this study is for researchers in knowledge management extending to Paul Romer' (1986, 1990 & 1994) studies in economy, to look for elements in the functions of knowledge and make these elements explicit so as to analyze their behavior and influence with regard to the small and micro entrepreneurs.

Secondly, it contributes with a pattern of study to understand how the knowledge is the main function in the creation of value for the small and micro enterprise, reaffirming Romer's (1986, 1990 & 1994) studies, but from a point of view of the specific instruments in the creation of value.

Third, it contributes with an explanation on why the phenomena of the pattern are given and why these affect the economic performance of the small and micro enterprise.

9.3 PRACTICAL IMPLICATIONS

The implication of this study for the practitioners is referred to consider the knowledge as a subject to be analyzed as a specialty itself while implementing public policies to help the small and micro business.

The fact of considering the knowledge as an instrument of value creation, it is important, but it is more important if we distinguish that there are many types of knowledge and the transference, creation and use of this will depend on this definition and when we have to create new enterprises, it is not possible to transfer tacit knowledge as it was explicit knowledge and in this way, finally never create new business.

On the other hand, it contributes with a clear and defined guidance, expressed in a framework on how knowledge flows and is related among the entrepreneur and their environment, and on how then attention must be paid for upgrading the management and through this increase the performance of the small and micro enterprises.

Finally, it contributes in each of the elements found and explained in the framework on how to improve the specific aspects, like the creation of knowledge on behalf of the institutions, the mediation of knowledge on behalf of the brokers, the creation of new instruments and the use of knowledge on behalf of the entrepreneur. For each of these elements, there is an analysis on how to improve and what is to be considered for implementing solutions for improving the sector being studied.

The following specific actions are recommended:

For the implementation of public policies, it must be considered to simplify the instruments created for the institutions to control, regulate or establish relations with the MISE. It will consider the creation of a new knowledge for producing these new simplifying instruments.

The nature of MISE entrepreneur knowledge has a dual epistemology nature, and then it must be analyzed separately, otherwise solutions proposed for one aspect of this knowledge will result insufficient to solve the problem.

For improving the participation of the broker's knowledge to contribute with the entrepreneur to understand the conditions and the instruments that would help them to improve the results.

To create imitation patterns to be followed by the entrepreneurs to improve their performance or to create new business opportunities.

9.4 LIMITATIONS AND FUTURE RESEARCH

The study will be made in micro and small enterprises of less than 10 employees, only enterprises of the formal sector will be considered. Considering the great variety of enterprises, it was used the data information as an strategy, the classification proposed of GEM of the International Standard Industrial Classification (ISIC) to define the economic sectors of the different enterprises (Bosna N & Harding R 2007). Then, starting from the used classification, we partially considered a part of the subject of analysis and also I am considering a particular kind of companies.

The study is qualitative, of exploratory and explanatory character for determining in a first stage and then for explaining the factors that have influence in the performance of the small and micro enterprise, related to the use of knowledge of the entrepreneur in his environment, therefore does not quantify the phenomenon under study.

The great variety of enterprises makes impossible not to exclude some cases from the analysis, at the same time the simplification for the sectors included is enormous.

It is not established comparisons among different realities existing in the different countries, except to explain the differences of the environment in one of the stories.

The future research has an extense scope of interest, starting from the creation of the knowledge expressed in specific instruments on behalf of the institutions for the facilitation of use on behalf of the small entrepreneur. It is also interesting to study the effect of the flexibility of norms while creating a more accessible knowledge, with regard to the loss of control that this would cause.

Considering the wide variety of small and micro enterprises, it would be interesting to study some sectors, especially the massive consumption sector and some sub categories, this is because it is the sector with greater percentage of companies, it is also academically very interesting the manufacture sector for its high component of tacit knowledge found in this area.

A comparison from the view point of knowledge between the participation of the company services sector and the comparison between developed and developing countries would be particularly attractive, both as regard to the proportion of the Market, as well as to economic performance related to their markets.

The role of broker's knowledge, by itself is another important subject from the view point of knowledge, are only partially studied and not in their relation with the small and micro company.

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APPENDIXES

APPENDIX 1: INTERVIEWS

For the first phase, interviews were made to two objective groups; the first one oriented to the entrepreneurs who go on with the following pattern;

Phase I Objective Group; Entrepreneur

Several interviews were made of informal character so that the interviewed person did not feel that he was being formally interviewed, but that he developed a dialogue in an atmosphere of confidence so that he finally told us his stories in a natural way and avoided the slants in the formal interviews. The process had the following structure.

Main Subjects:

Experience or background as entrepreneur, we impelled him to tell the story of his life, of how he became an entrepreneur, that is to say his formal education, previous works, previous undertaking.

Development of ideas on business, aim, main processes, specific background of the main area.

Experience in his current business, development of the situation-conflict.

Interview Development Procedure

- a. The individual established a confidence link with the interviewed person, by talking about general subjects so that he prepared a more relaxed atmosphere.

- b. He slowly focused in the main subject, in the first part was his experience or background as entrepreneur, he asked him to tell the story of his life, of how he became an entrepreneur, that is to say, his formal education, previous works, previous undertaking. The idea was that the subjects were not forced, but if it was not possible to deal with a particular subject, he was not forced and did not look for alternatives, giving always the opportunity for the interviewed person to choose the way he liked for him to tell the stories by always approaching him in a delicate way.
- c. When the interviewed person started dealing with a subject of interest, he was free to go deep into it up to the extent that he represented it through anecdotes. This point was repetitive for each of the main subjects.
- d. Came back on subjects that were incomplete or not well developed.

Phase I Objective Group; Environment

Simple interviews of formal character took place, with semi-structured questions. The main subjects were:

1. Relation with the entrepreneur
2. Influence that he practiced on Business or on the entrepreneur, directly or indirectly
3. Description of the processes related
4. Business views

Phase II; the only person interviewed, the Entrepreneur

Only one interview was held of informal character with regards that the interviewed person did not feel that he/she was being formally interviewed, but he/she developed a dialogue in an atmosphere of confidence, so that he finally told us his stories in a natural way and avoided the slants in the formal interviews. The process had the following structure:

Main subjects:

1. Experience or background as an entrepreneur, he told the story of his life of how he became entrepreneur, that is to say, his formal education, previous works, previous undertaking.
2. Development of ideas on business, aim, main processes, specific background of the main area.
3. Which problems or deficiencies he felt he had in order to achieve his goals.
4. Social and business networks
5. Supports of the State and other institutions, training, loans, support programs.

Development Procedure of the interview

- a. They established a confidant link with the person interviewed, discussing general subjects so that they prepared a more relaxed atmosphere.
- b. Slowly focused in the main subject in the first part that was his experience or background as entrepreneur asking him to tell the story of his life of how he became an entrepreneur, that is to say, his formal education, previous works,

previous undertaking The idea was that the subjects were not forced, so it was possible to deal with a particular subject and did not force them and searched for alternatives, always allowed the interviewed person to choose the most convenient way for him and he was always focussed in a delicate way.

- c. When the interviewed person started dealing with a subject of interest, he wanted to deep into it up to the extent that he wanted to represent it through anecdotes. This point was repeated by each of the main subjects.
- d. Came back with incomplete subjects or not well developed.

APPENDIX 2: FORMATS WITH REMARKS

The formats with remarks were of general character and were referred to notes on characteristics of the environment affecting the conditions of the phenomenon in study, that is to say, that according to the researcher's opinion they were related to the use of knowledge on behalf of the entrepreneur. Also elements that were useful for identifying the mimesis of our stories, that is to say, if we were doing good representation of the world that we wanted to interpret. These notes considered general subjects.

1. Work Environment Conditions
2. General Aspects of location and presentation of the enterprise
3. Elements of social relations with the environment
4. Complementary aspects for the interviews.

Photographs and other registration were taken when was possible and when they were important.

APPENDIX 3: STORIES SELECTION

Phase I

The first story: The Knowledge of the Desert; Since March 2003 to December 2006, I travelled every week from Antofagasta to Escondida Mine and there I met Ismael who was selling ice cream every day in the same place. At the beginning it was just a curious kind of job until the construction of the kiosk, where it became a subject of research and the informal conversations with Ismael turned on interviews and also formal interviews were included with the other people involved.

The Second Story: A manager in the Great Apple; After Luis Martinez, who succeed as entrepreneur in New York; appeared in a TV show being very famous in Latin America, then the history became in subject of interest for my research and I asked a friend of mine to introduce him to me for an interview. After a couple of formal encounters, we had informal approaches for more relaxed interviews. Also a couple of employees were interviewed, a competitor and an owner of a place were Martinez installed a car to sell peanuts.

The Third Story: A flourishing business; Talking with an entrepreneur friend, who has agriculture and fruits business, about the subsidies of the government for the companies in his sector, he told me about the history of the flower farmers and how they moved from the hope to the deception. Then I arranged trips to the site and held interviews with different entrepreneurs and also included the opinion of the trainers, government people and customers.

Phase II

The second phase had a different challenge from the first one, I included regular business without special characteristic from the other similar business, for example for including a small transportation business it needed to be similar to others transportation business, second all the business considered were formal then they had to have formal invoices with the government seal, because to be formal a very complicated process of knowledge was involved. Third, the entrepreneurs included all kind of people coming from different areas, level of education, social and economic sectors and they represented the following classification: The Transformation Sector, The Services Sector to Other Companies and The Sector Oriented to the Consumer.

APPENDIX 4: INTERVIEWS EXAMPLES

Following are presented a group of interviews, considering different kind of entrepreneurs, coming from different sectors, also this sample is including very difficult people for conduct an interview some of them talked with own language and very few words then was a challenge to interview them, on another hand was very rich to include them, because they represent a good sample of the people who has micro and small companies, then their histories are very valuables for this research.

The small sample presented here include 7 entrepreneur interviews, including the following business; a Vulcanization, Liquefied Gas Distributor, Sport Activities, Piercing and Tattooing, Watch Shop, Sewing and Brewery Shop.

Interview #1, Vulcanization

Researcher: what type of business do you have?

Enterprising: I have a business consisting of vulcanization and sale of spare parts accessories.

Researcher: Is this company formed by only one owner or are there several

Enterprising: Only one owner

Researcher: Only one owner, how many workers are there working in the business

Enterprising: four

Researcher: four, what is the average of sales accomplished by the company per month, annually

Enterprising: there are around five, six millions of pesos

Researcher: monthly

Enterprising: monthly

Researcher: to which consumer sector is your company focused

Enterprising: automotive company

Researcher: now, how the company was borne, for what reason

Enterprising: what happen is that I had only an artisan vulcanization workshop

Researcher: Ok

Interview: and suddenly, why am I located inside a gasoline station, the owner of the gas station in order to complement his gas station invited me to participate in a project consisting of establishing a vulcanization and by and by my working hours started being from 7 in the morning until 11 at night, then from 9 o'clock until 11 o'clock at night onwards you cannot find where to buy a bulb for the car and in this way by and by we started capitalizing with a bulb, then the belt which is the most basic element and that normally wears out and in this way we started having the business with a little more revolution.

Researcher: as a manager, do you have any previous experience

Interview: No

Researcher: no, and as an example of this experience which from these elements would you rescue to continue progressing, I don't know but in order to manage in a better way your lubricant store if you had the experience.

Enterprising: well, I think more management only

Researcher: how do you get the knowledge so as to have a lubricant store?

Enterprising: I was a self-taught, a self-taught, I started learning the real needs of the work given to me, you start asking, you start implementing, I did not study, I would say so as to have what I have now.

Researcher: nothing

Enterprising: nothing, I gave my test up to third basic level

Researcher: what do you know or what do you need to know how to manage a company, that is to say why do you need to know

Enterprising: I would like to know what is related to management, because I feel I am somehow weak in that respect

Researcher: see now, what is missing in you or what would you improve, what would be missing or would improve in you in relation to knowledge

Enterprising: well, I hate all related to technology, automobiles including electronic injection, then to start for example, I hate, I have all the machinery, all what is the latest modern as regard to vulcanization is concerned, now I would like more what is related to take scanner from a vehicle and to check the brake system also, sometimes with a scanner can be done, that is technology

Researcher: as a manager, can you give a mark for yourself in respect of having capacity or the ability for putting in order and classifying the environment of your company

Enterprising: a five

Researcher: a five, but in respect for example of where to buy things for your suppliers

Enterprising: Well, I don't know, I think a seven

Researcher: a seven

Enterprising: I have been already fifteen years involved with people and knowing them

Researcher: which are your difficulties with respect of havin access to credits, that is to say for example to the banks, to taxes

Researcher: the difficulty right now which I have is that for trusting too much on people, I was swindled in an x amount of money therefore, the financial system caught me, only for that reason, otherwise I would have access to everything since I pay IVA (added value tax) working on my own.

Researcher: if the case is given that there is not a good cash flow or of money in the company, where do you appeal, in other words, where do you take the money from?

Enterprising: I get with my brother who has a comfortable life with my brother in law who lends me the checks to solve everything.

Researcher: are your suppliers big companies of the field or are they well-known

Enterprising: they are big and small companies

Researcher: which percentage of clients do you have as a monthly average

Enterprising: in average my client portfolio is of 2.000 people, 2.000 vehicles

Researcher: and why do you think you use that amount of people, in what do you use so many people

Enterprising: the trust is there, nowadays I am assisting the children of my first clients including grandsons of my first clients also with 20 years in the field since I started as a craftsman with a vulcanization only...then the trust there, the work itself that I carry out give them trust, now I deal with the biggest automotive market of the world, the biggest is the company, the biggest is the swindle I give you as an example, for example, if you buy a new car and they give you for instance the first changes of oil when your manufacturers give free changes up to the 23 kilometers then they are already cheating

the client, the guarantee is lost if the client does not do the services in the same company, this is one of the most legal swindles existing nowadays, the maintenance of vehicles, as simple as that.

Researcher: of course

Enterprising: then the people realize, I have people for example that in the last two services had to pay almost 200.000 pesos the last time for a simple change of belt for the same service given, I give this service, say around 40.000 pesos and I am getting a good percentage as profit.

Researcher: that is to say, is it mostly based on trust

Enterprising: yes on trust

Researcher: what is your relation with your environment, in other words with the company itself

Enterprising: my relation with my neighbors, with my company is excellent

Researcher: do you know or have you participated or did you have access to some government program

Enterprising: No

Researcher: Nothing and you do not know either

Enterprising: no

Researcher: and the last one, what is your opinion with regard to the regulations made by the government in relation to the IVAS to taxes

Interview: I think is fair, but what was real easier was to work illegal, that the government supports you to take money, your own license and all those things, if you go

to get a permit or license for vulcanization, you must meet a number of things that sometimes you hate.

Researcher: of course

Enterprising: If it is true that we must take care of the environment, but there are many people, many mechanics who want to work and do not have how to do it, there is no office, no municipality not even a transport ministry who can train you, who can teach you, help you, support you, finally this is the same of the one who sells “sopaipillas” (it is a kind of fried bread), if you do not help him, Chile is the only country in the world where a person who wants to emerge is not allowed to work, it is easier to steal here in Chile, that somebody helps you to train yourself.

Researcher: of course

Enterprising: because if we place a trolley to a person selling “sopaipillas”, just to give you an example, we place a trolley, we teach him the hygiene, we educate him, we force him to work and we give him a permit, that guy will grow and he won't become a delinquent on the road, same is with the mechanics, there are many mechanics who work at home, they work worse than a hidden delinquent and there are many good mechanics at home as well as there are crooks also, this market is telling me just now that it is very easy to swindle the people, the big companies do it, they swindle, but to the retired people, understand, the same guarantees of a new car, what guarantees are you talking about, if a shock absorber is broken it has no guarantee. If a tire is broken, it has no guarantee, which is normal if a glass is broken, has no guarantee either, if a door is broken, has no guarantee and a new engine never, never for quality standard will spoil the engine, if a pump wears out, for example an oil pump which is the first thing that goes

wrong according to the concession people since they say that you have add oil in a different place, therefore they are not responsible for the repair and for me this is just a swindle.

There is no clear policy regarding this type of concession, the guys get money instead of selling. If you analyzed that a car costs 3.000.000 pesos at concession, if I took it legally where they are asking me, finally it will lose value, the car costs 20.000.000 pesos that I have spent in my car, is as simple as that, that is, it should be more places where we can train ourselves.

Researcher: yeah because we are badly lacking of it

Enterprising: certainly, and to make things easy to work, nowadays, for instance, what I was mentioning to you, to complete many trolleys, in United States downtown, in “Paseo Ahumada”, a guy sells hot dogs

Researcher: of course

Enterprising: because, because he has been educated, he has prepared himself, in a trolley that it may cost him perhaps 5.000.000 pesos because a trolley costs a lot so that you can sell a hot dog, you understand me, refrigerated with clean water with everything, with all that, but here not, here what does a trolley with ice cream do, a wooden three-cycle are sold bad “sopaipillas”, for to say something saturated because if you are caught by a policeman and you have no permit, you have to throw it away.

Researcher: of course, leave it thrown there only.....

Enterprising: but if you make a proper trolley costing around 5.000.000, they won't leave it, they will care for the hygiene, the same happened with the mechanics, they took from me the foci and they told me, you know, it is beautiful this place, we will educate you, we

will teach you a little bit of business management, everybody says that there are, but if you go and ask to the municipality, there are no courses, go to the municipality in Estación Central, there are no courses regarding electronic injection to take out a guy from the drug as I can help a guy involved in drug, I take him and I said to him why are guys consuming drugs, is it because they have nothing to do, but I could take him and say go to the municipality, study for instance how to use a scanner for an automotive company.

Researcher: and is it not possible

Enterprising: It is not possible unless I buy the scanner which costs 3.000.000 pesos and the guy will then sell me the scanner, they will say we will instruct you on how to use it, how to move it, but he won't teach me what the scanner says

Researcher: in other words, we are only lacking of opportunities

Enterprising: of course, that is the only thing

Researcher: that would be all, thanks

Interview #2, Liquefied Gas Distributor

Researcher: What type of company or business do you have?

Enterprising: What type of company or business?

Researcher: yes

Enterprising: liquefied gas

Researcher: liquefied gas, is it already constituted by only one owner or are there several partners

Enterprising: no, myself and my wife

Researcher: you and your wife, how many workers are in the company?

Enterprising: at this time I have only one, but in general there are two

Researcher: ok, what is the average of sale that you have, what does the company have, you see what you can tell me about, it is the same for me

Enterprising: say, around 20 millions

Researcher: ok

Enterprising: monthly

Researcher: to which consumer area is the company focussed, that is to say who are your clients

Enterprising: consumer sector

Researcher: ok

Interview: housekeeper

Researcher: how do you create the company, from where does the initiative come, if it was first something small and then it became big?

Enterprising: as all business, one starts by and by...one has to do it all

Researcher: ok

Enterprising: to have initiative and drive in all

Researcher: ok

Enterprising: this is just as when you get married, when you get married and you do not have anything else than your wife and have a pan or saucepan, you have to start managing well that pan

Researcher: of course

Enterprising: if you manage it in the proper way, after it won't be enough for you only, but you will afford to give it to the rest also, in that way you can constitute a company plus too much drive to be put into it

Researcher: ok, and have you failed sometimes

Enterprising: yes

Researcher: can you tell me something about it

Enterprising: failure of all the people sometimes, they don't pay and they make me fool, many people come simulating that they are coming to work and they come to take a look only and after they steal from me, because I have experienced that type of things before

Researcher: ah ok

Enterprising: one cannot have any person working in the company, I have been stolen here because a guy came into the company and they were guys coming only to take a look inside as...

Researcher: how did you manage?

Enterprising: certainly, certainly, here anybody can assault you here and thus it was, somebody was sent to me for that purpose

Researcher: ok

Enterprising: Then I run after them and the same worker was waiting for the assaultants in a gas vehicle nearby

Researcher: ok, of course

Enterprising: and in this way

Researcher: yeah

Enterprising: so many things

Researcher: and have you had your best time as a manager, I suppose you have had

Enterprising: my best time as a manager is each day, how can I tell you when you fail too much, full of disappointments I won't be able to talk of good time, because all the time you work more than an employee.

Researcher: ok

Enterprising: an employee completes his working hours only and one has to be in charge of everything, one has to work, I get up at 6 o'clock in the morning to count the money that is missing and this and that, so as you can see the best time of the business is the one that I have more work

Researcher: ok

Enterprising: more work, because every time it is more required, I could say that I am now better than 20 or 30 years ago

Researcher: ok

Enterprising: of course, but if one had in his pocket all what we have earned, that we have not been cheated nor we have been stolen, perhaps I would have more employees, I would not be working so hard

Researcher: how many years are you working in this field?

Enterprising: 38 years

Researcher: always in the same

Enterprising: yes

Researcher: That is to say, you have always had something or did you work before in something similar

Enterprising: well I worked before in railways and I was also a navy man

Researcher: ok

Enterprising: all that type of things

Researcher: but never in relation with gas

Enterprising: no

Researcher: how do you learn to manage this company, how is your way for managing it, perhaps

Enterprising: this is only initiative of my own only, you go on seeing when you establish a store, you start carrying noodles, you carry oil, then you carry spaghetti, then you see what are you short of, all this then...

Researcher: ok

Enterprising: the same business is guiding you

Researcher: which is the knowledge that you have in relation to product that you offer, in case you have some type of knowledge?

Enterprising: knowledge of what I am selling only

Researcher: certainly

Enterprising: Propane butane

Researcher: yes

Enterprising: that is

Researcher: and what do you need to continue developing your company, what is missing

Enterprising: money, I am lacking of money, guy

Researcher: that is essential, it is the most important that you have in your company and the less important

Enterprising: the most important is the prestige for the public

Researcher: ok

Enterprising: certainly

Researcher: And the less important that you think you can have, that it to say which is not the essential thing

Enterprising: Here I can't see, because what it is necessary it is used and what is not, we don't use it, there are no things which are not important, everything is important here

Researcher: ok, have you had some difficulties for carrying out the business

Enterprising: yes, it has always been difficulties

Researcher: Ok and how have you faced them

Enterprising: we must face them with too much tenacity all the problems

Researcher: if a proper cash flow did not exist, if there was no money, not much money is obtained, where do you appeal, mainly to the bank or to your family or some friend

Enterprising: No, no, no, no, not to the family, it is the worst enemy

Researcher: ok

Enterprising: Well, one always comes close to the bank here and there

Researcher: who are your suppliers, where do you buy from?

Enterprising: Gasco, Gasco

Researcher: in Gasco

Enterprising: yes

Researcher: what is your relation with them?

Enterprising: as an employee of them

Researcher: ok

Enterprising: without any condition

Researcher: are conditions and the relation that you have with your clients

Enterprising: good

Researcher: yeah, in all the ways

Enterprising: that is the main thing

Researcher: of course

Enterprising: To be responsible and have good relation then this creates a link with the person

Researcher: and what is more or less the average of clients that you have or handle more or less in a month or in a week

Enterprising: around 4 thousand, 5 thousand, around 5 thousand people roughly

Researcher: ok

Enterprising: yeah

Researcher: do you know or have you participated in some government project

Enterprising: not at all

Researcher: in none and would you like to participate

Enterprising: let me see, government project one day it was there, when they launched the thing of how do you call that... when you hire an employer and you send him for a training course, that one, but it was a bad experience any way

Researcher: is it

Enterprising: I sent Gastón, I sent him to do a driving course, because he had lost the documents

Researcher: ok

Enterprising: (lady) but that is not of the government. It is sponsored by the government and I had to pay for it from my pocket

Researcher: it was like a private course that....

Enterprising: it was a school of professional drivers

Researcher: ok

Enterprising: where they took the papers and then they were delivered to me and I could deduct the IVA, that is to say. it was deducted from what I paid

Researcher: ok

Enterprising: I had a bad experience

Researcher: how do you feel the demand to the regulations established by the government for the business that you have or for different business in order to succeed in doing something new, which are the demands

Enterprising: too much trouble, too much trouble

Researcher: too much trouble

Enterprising: too much trouble, too much trouble because too much bureaucracy of all type

Enterprising: and this is it, this country demands too much from the person who works, this country bothers him

Researcher: and have you had any personal experience or not

Enterprising: personal experience

Researcher: related to this

Enterprising: of course, when we are stolen for example (lady) when they ask for the license for instance, we have to make a plural reception of this, because we do not rent

and that it has always been a commercial shop and it appeared in the municipality as a house, we had to do plenty of things, then it is a bureaucracy. The other day when we were assaulted, when we were assaulted here and the police came and then after two months, the case was filed due to lack of information, if you have some information, bring it here.

Researcher: then, we could say that the government is very bureaucrat so that one..

Enterprising: of course because the municipality is part of it

Researcher: certainly

Enterprising: yeah in this case yes, because for a mistake we had to hire an architect and bear all expenses for an information mistake, because this was confused with a house located in the passageway which has the same number

Researcher: ok

Enterprising: it has the number 641 but the number is c

Researcher: ok

Enterprising: then they brought the drawings of the other house here and they obliged us to take all the papers and we still have the temporary license, they still do not give us the definitive one, more than one year has passed, then this is a bureaucracy, because we took all papers, we paid for the digital service, we paid for all again, since we were not supposed to do it and we still do not have the definitive license, all these are obstacles put to all workers

Researcher: of course

Enterprising: Accomplishing all regulations from Sesma, we are still in that, even how much they are charging, we are sending letters to the municipality so that they can accept the payment for the new license

Researcher: ok

Enterprising: then this is wrong that they are not more expedite

Researcher: of course

Enterprising: For the people who want to establish a business that at the same time are contributing. We must have resources today, we must be an hero, it is not difficult to have it, but to maintain it, we have to be an hero.

Enterprising: We are sent from one office to the other one and the person does not understand what he has to do, then this is how time start passing and the matters start complicating every day more and more, these are not easy things that one can understand

Researcher: of course

Enterprising: then this is wrong, I would handle this in a better way, because we go and pay for the license and they say no, you can't pay it, because you have to enlarge the extension, you have to do this and the other, one has to beg in order to pay to distribute.

Bureaucracy

Researcher: and with respect for instance to how to keep the accounts, do you have any accountant

Enterprising: Of course an accountant

Researcher: ok

Enterprising: There is another problem with the accountants; the accountants have their own systems that they are not responsible for the mistakes that they themselves make

Researcher: of course

Enterprising: You pay them to correct and not for giving trouble, but however they put you in a difficult situation, they never paid to me, I realized that the accountant that I have was stealing me the AFP (Security Fund), I gave to him the money, but he never paid and then I appeared in DICOM, because I had not paid for the things

Researcher: ok

Enterprising: then these are things that the government should handle, it is the responsibility of all the accountants for their actions in their work, because they do what they want, they are not responsible people

Researcher: yes

Enterprising: one is responsible then, they do what they want, they steal from us, so this is wrong, extremely wrong. There is no way for demanding, for filing a suit

Researcher: of course, so that they can work in a good way

Enterprising: of course because they commit mistakes and the taxpayers pay for their mistakes

Researcher: yeah

Enterprising: and if they do not pay, we must pay with fines from the AFP (Security Funds), the accountant declared for it but did not pay for it

Researcher: of course

Enterprising: Then all these things which there is no way to see them, has no information of it, should be more controlled by the accountants, they should be more responsible

Researcher: of course

Enterprising: they should not say ok, he is my accountant, it is approved, one has all the receipts, all how to prove, then he must be responsible for the mistakes that he makes

Researcher: of course

Enterprising: because a small manager should not necessarily know accounting

Researcher: of course

Enterprising: Then when we understand something, we can check, but they know better all things and they do it in their own way and cheat us

Researcher: yeah

Enterprising: Then this is wrong, that they have no responsibility

Researcher: and this is useful so as to have experience so that later it is not repeated

Enterprising: of course, some of them act as delinquents, as a delinquent. As simple as that.

Researcher: ok guy, thanks for your best wishes and for your time

Interview #3, Sport Activities

Researcher: what type of company or business is the one that you own

Enterprising: my company is related to sport, however we also sell as you can see here, weighs for children of 15, 16 years old who want to get the first match, we also have medals, cups for the different championships carried out here on site, sport implements for a baby cylinder for football, we also sell cylinders of basketball, tennis balls, all what is related to sport that we deal with

Researcher: and how is the company constituted, is there one owner or are there several partners

Enterprising: look, we are 2 partners

Researcher: ok

Enterprising: my colleague Sergio Jiménez and myself Nicolás Palacios, who had a project when we were at the university and we wanted to develop it

Researcher: Ok

Enterprising: And well, we had to ask for a loan from the bank, everything came out as we wanted, we bought a piece of land after the installations that was a cost of approximately 35 millions and we finished with all that the first two years, I feel it was something very pleasant for us, the school is working as he expected and continuing with this we are very happy and let us hope to continue ahead with this project.

Researcher: what is the number of workers in your company?

Enterprising: look, the company is formed by 9 workers, one for the warehouse supervising for what we are short of, the sport implements, the other one in finance area keeping the accounting of the company, calculating how much we invested and how much we earned, how much is the cost for travelling, because we do not only manage the school here, we keep on travelling as far as possible, we bring players also, for those who want to reach the first place in the match, we give them the opportunity also, we and the rest of the people who work here is trained both in the physical preparation or training, these are the people who prepare physically who are also university classmates and the rest are teachers like me who develop both in the teaching aspect as well as in the methodology way of the student

Researcher: oh I see!

Researcher: in the accessories and in the recreation part that you have

Enterprising: look, as you said we have 2 incomes; one in the accessories part as I had mentioned to you, before in the cups, etc. We are around two millions and one hundred, 2.200.000; 2.600.000 depends on the month and depends on the championships made during the semester.

Researcher: ok

Enterprising: and in relation to the students we are around four millions to six millions of pesos according to the registrations which are filled up

Researcher: in which consumer sector are you focused mainly?

Enterprising: Look, we are working with guys who are really interested in this, that is to say, I don't know, look we are recruiting people from the CORFO stadium of the Doral Stay school of Mayflower schools located uptown in Las Condes and we are not keen to take young people with a good social stratum and who want to reach the first match outside, I would say the national stratum does not emerge much

Researcher: how is the company created and from where does your initiative come from

Enterprising: Well, look the company was joined with Sergio that we had the first year, that we set the goal since when we left school, we wanted to have a football school located uptown, now we are downtown in Santiago at the finance office and I tell you that the, as I was telling you with Sergio, I don't know, but he had difficulties in one subject, I used to help him, I had difficulties in the biology subjects and Sergio helped me and in this way we started complementing a friendship that continues nowadays and I feel it will never end

Researcher: ok

Enterprising: and in front of this we proposed to create the company furthermore, of giving classes in a school either of a different type, I feel we really succeeded and we had the social support of our families who also helped us with a little bit of resources each and mostly due to the credit that we asked for, it was possible thanks to the bank and to the project that we had in mind

Researcher: ok

Interview: with the guide teachers and also happy with this, I feel that it was useful for us for being in the second level, we already have a project in mind of what we wanted to do in future

Researcher: ok, and have you had any previous experience in other companies working or something similar, or in your family, I suppose...

Enterprising: I have had, look I worked in the sport club

Researcher: ok

Enterprising: with Miguel Ramírez in the year 2003 for the inauguration of this and I feel that, well, there I learned a little bit of finances, of doing more methodology and to become more familiar in this matter.

Researcher: ok

Enterprising: from sport that I have previously worked in the past in a municipal school and it is a very different reality from the one we can see today

Researcher: how do you learn how to manage this company the 2 of you with regard to management, to match the children that they can participate, to the type of things that

they sell, how they come, that is to say, how do you get the accessories and how do you know that you will finally sell those things

Enterprising: But in the same way here it was very valuable, I don't know whether I should say that myself and Sergio in order to make this succeed, we said: friend, you know that we are weak in mathematics, we are short of marketing, we are short of a lot of things. Do you dare to study another professional career, he said not at all and how about you, no friend, and after that in 3 years we started involving in...

Researcher: ok

Enterprising: in different classes of marketing at the university, but only observing and in economy, engineering and it was good enough, we used to go just to listen there and that is all and after we approached the teacher. Let's see in what way he could help us, he gave us theoretic classes separate in the same marketing courses given by the university we used to join them and learned something on how to develop the company

Researcher: ok

Enterprising: and then Sergio had a friend who studied commercial engineering and we brought him and now it works, the cash is balanced, everything because you can imagine, we are only dealing with sport and zero of finances, to manage such a big company like mine, we should have gone easily into bankruptcy

Researcher: of course, which is your knowledge in relation to sport subject?

Enterprising: Yeah, look just to start, I am graduated in physical education, well I completed the education at the Universidad de las Américas

Researcher: ok

Enterprising: and well there were 5 years and a half of hard study at night, with fatigue and I feel that from there it starts a methodology the first year and a real vocation of wanting to teach

Researcher: ok

Enterprising: Of teaching what it really likes you, not only the foundations of teaching or the different subjects for then joining a school and work, I don't know, like volleyball, football, basketball which are basic games in the implementation of a educational school implemented by the state.

Enterprising: I focused myself more in the football subject and since I love football, I participated in junior series football of "Union Española" and I feel that from here everything started, I said this is my subject and I want that future children have an opportunity in what they like not only being an engineer or doctor or social worker, attorney, etc.

Researcher: ok, what is your role in the company?

Enterprising: my role is to train the players

Researcher: ok

Enterprising: I am working with children of 14, 15, 16 years old who are practically "cáete" (he meant junior series) the ones who left high school or the basic school, we call them "cáete" as in every football group

Researcher: Ok

Enterprising: and since we do not have a team being in second in first or third level, we have the contacts to send them abroad as I previously told you, football is of the average type here

Enterprising: has already somebody gone out of the country

Researcher: Recently they are calling us, because people from Paraguay and from Argentina, Uruguay, Bolivia have come, but to see our children

Researcher: I see!

Enterprising: Everything was good; everything starts from a diligence through mail since we invited the different directorate of the clubs from abroad so that they can come to see our children

Researcher: ok

Enterprising: because I think it is very informal to send a video, to say look this guy is exceptional and it is better to come and see them

Researcher: of course

Enterprising: and that they must see which is the work of these guys and also the teachers work given by our school

Researcher: ok, what does the company need to continue developing?

Enterprising: we need more green areas, because if you can realize here we have one and a half acre of green area and the other half of the acre since finally with two acres is with gymnasium with respect to weighs which is covered with roof and the other one to develop baby

Researcher: ok

Enterprising: and we have 2,3 courts and we need more, because the company is increasing the number of players and I feel it is feasible to extend it further, I am talking about the North of Chile as well as in the South of Chile, because not all the guys can reach there

Researcher: of course, according to hierarchy, what would be the order with regard to what is more important and the less important inside your company

Enterprising: let us see, the most important in the company besides training players is that they must reach the first match, is methodology and the recreation that the teachers must have

Researcher: ok

Enterprising: to give these classes

Researcher: ok

Enterprising: Why, because otherwise there is not a recreational job that means to be joyful, pleasant and attractive for the students since otherwise they could leave

Researcher: ok

Enterprising: and the less important I think, look the less important, is a good question, the less important nowadays would be, let me see, it could be, I don't know if the lack of implements or the color of the uniforms, something like that, which is the minimum

Researcher: ok

Enterprising: I don't know if they are easily seen, but of the player or his family, everything starts from where I mentioned to you at the beginning, we also make them, their families interact with the students

Enterprising: Now we are developing the feminine soccer

Researcher: ok

Enterprising: the famous FEM

Enterprising: ok, ok, and if it did not exist in the management ambit a determined cash flow, in other words, if it did not exist enough money that had not come into the box for

months, where do you ask for it, you ask for it from your family, from the banks, from friends and less from the banks, because we have already started the project with the bank and we have already paid all and I feel that now is the possibility of granting the opportunity to people in whom we trust that would be our friends from the university who also studied the same that I studied and I feel they can contribute with some money for the company.

Researcher: who are your suppliers and what is your relation with them, that is, with whom do you work, the people who make the T-shirts, things like that

Enterprising: Look, I have started with casual sports

Researcher: ok

Enterprising: That now is having great success, but due to contact problems since things did not come at the right time or the day which they were supposed to come, we finished with them and now we are working with Adidas.

Researcher: ok

Enterprising: and I believe that they have wanted the guys to succeed same as us and in front of this, at the beginning we got things as a present to see if we liked them, we gave it to the players to wear them to see how did the T-shirts work of the same cylinders of the shoes, to see how did the cylinder work with the players, if they felt comfortable when they hit the external, internal extreme, instep, if it get attached to the floor and I feel that also we, the teachers had to submit ourselves to this small test and we liked too much and I feel now that Adidas, as I was telling you, behaved well and we signed the contract with them

Researcher: ok

Enterprising: We did it and so far they have not failed in relation to what we asked them, regarding the bibs and in the same cones

Researcher: ok

Enterprising: in the cylinders, meshes, bows also

Researcher: Yes and how did you get Adidas as a supplier, how did you get there

Enterprising: We went to Adidas distributor company in Las Condes which is very close from us and we spoke to them about the project, we explained to them and told them that we had problems with casual and they told us, look Nicolás, try this new project, our new T-shirt with the cool climate technology, see if your guys like it, see if you like it, try them please, they gave us some time, say a month and a half to try them

Researcher: ok

Enterprising: They also gave us shoes, cylinders, bibs, etc. So far I feel we will take sport wear from Adidas

Researcher: ok

Enterprising: And look the instance given to us is very good through only one presentation of the project and not that the company sponsored us

Researcher: I see, how is the relation with your clients?

Enterprising: With the clients, parents and sponsors is very good in spite that we do not represent football as I do not know the school that Colo Colo or Catolica has who are exponent of football of the glorious years of those teams, we have as I told you the methodology and the recreation that make possible for the guys to entertain themselves and the parents also I feel that the parents are very happy with us with the same institution that I have and the main thing is that they feel happy with their children

Researcher: ok

Enterprising: because here as I was telling you besides doing recreational activities and all that, we also demand from the students an average in their marks that goes between a 5,5 and more since studies cannot be left aside in a football school

Researcher: and in relation to clients with regard to what you sell, with the accessories, what can you say

Enterprising: look, the relation is far, very far, but at the same time good, it is not like the problems we had with Casual and that later we had to bring Adidas, but here we started with a supplier and he has behaved very good with us, the first championship that we made, the first school we had, with around 56 medals plus individual cups plus the cup of the team and the championship that fluctuated around 1.600.000, 1.800.000.

Researcher: ok

Enterprising: and we asked for it one day, a 3rd day and in the 12th day it was everything ready and we wanted it to be ready for the 20th day, then it is a hard work for our producers in relation to what we want

Researcher: ok

Enterprising: and in front of this we are very happy since they behaved well with us and they also care for what we are doing

Researcher: ok

Enterprising: because not any company cares for you, how you are doing in life and care for your students

Researcher: and changing the topic with your company, have you participated in some government project

Enterprising: Government project for real...is CORFO contest

Researcher: ok

Enterprising: from the government in the years 2001, 2002, look, it was something that we submitted that we have with Sergio and I feel that we were within the first three and due to methodology and something written in the wrong way in the project, we could not adjudge the project, but I feel the opportunity was very good, look, we were participating 50, 50 companies in this, in this sport contest which is clearly in the sport ambit, they were 50 and to get the first three, it is something important

Researcher: ok

Enterprising: but due to an insignificant thing, we could not adjudge the project implemented by the government

Researcher: how do you find the demand to the regulations set by the government towards the company?

Enterprising: look, it is so only, because in our case we had to submit drawings to build up this and the tax fixed by the government is extremely high

Researcher: ok

Enterprising: In other words, to pay a 12, 13% of what you are getting is high compared to all the work done during a long time and also the requirements that you buy and a number of things more that if I start mentioning them, it would be very boring besides the same invoices, we have to issue bill slip and that is unnecessary from my point of view

Researcher: ok, do you have any special person in charge of the accounting part dealing with money in the company

Enterprising: yeah, as I told you, Sergio had brought a friend of him who was introduced to me and everything fine, he is José, the black José we used to call him who is looking after the accounting on how much comes into the cash, on how much it is spent, since we are not only there, we also are located downtown

Researcher: ok

Enterprising: I would rather say in the sport center, we go out to play with the guys, I don't know, in the same pre-seasons we go to the North, like La Serena or sometimes we go to the South in Chiloé to train with the guys and this implies a extremely high expense, because you have to calculate the transport, food and equipment you will carry with you.

Researcher: ok

Enterprising: How much do the medals, the cups, the cylinders cost, the black man carries everything, everything, everything

Enterprising: yes, we care for the methodology part and for training our students

Researcher: that would be all, thanks for your time and your best wishes

U: ok, nice meeting you

Interview #4, Piercing and Tattooing

Researcher: tell me, what do you have

Enterprising: a shop of tattooing and piercing

Researcher: ok

Enterprising: and at the same time tattooing materials as a wholesale and piercing

Researcher: ok, how long are you working here

Enterprising: Working in the field, 5 years

Researcher: 5 years, then did you work before as an employee of someone

Enterprising: No, I was always working on my own

Researcher: ok

Enterprising: It was an opportunity which I had and I established in the same place a
handicraft shop

Researcher: ok

Enterprising: 5 years ago there were 48 piercing and a pair of candles

Researcher: ok, and are you the only owner

Enterprising: yes

Researcher: workers

Enterprising: there are two workers which I have

Researcher: ok

Enterprising: the family is formed by 3

Researcher: 3 the working family that is to say a sales average, that is, is it profitable?

Enterprising: Yes, it is

Researcher: yes

Enterprising: For everybody it is profitable, because we are one of the only entities in
Chile selling tattooing materials of plumier ink and this has a high value

Researcher: yeah ok, please tell me, how did you have the idea of opening this piercing
tattooing business

Enterprising: I don't know, because of friends that I had since I was a child, they influenced me in such a way that I must open a tattooing shop

Researcher: ok

Enterprising: And after he was working with me for some time, then he went to Europe, I continued with the shop, because he saw me when I was in the BIO-BIO persian market, I had a small tattooing shop and then I started to generate, I had 3 shops and now I keep this one, because I am not sure if you realized that we have two materials. I travel every 20 or 25 days abroad to bring merchandise and I myself import things

Researcher: ahhh

Enterprising: then I always had that in mind, before I had another business and travelled to Ecuador and to other countries, but I started with this business and realized that the mentality is of the average only in relation to this and when I started travelling, I realized that I had other vision

Researcher: ok

Enterprising: then nowadays we are organizers of the national festival of tattooing in Chile, we have organized two festivals, this is the third one that we will carry out in October of this year

Researcher: ok

Enterprising: we have plenty of awards as a shop, that is to say, the tattooing constitute out of Chile, I worked with a contract, we also started getting awards that was Papeliche of many years of work that he worked with me, but now he is out of Santiago

Researcher: yeah, that is

Enterprising: then it was a company that I established in Brazil in piercing, I did all courses, and then I fast incorporated to the world

Researcher: yes and you

Enterprising: my brother in fact is making tattooing in Barcelona with people dealing in tattooing she left this Monday, the last Monday went to Barcelona with his wife and they went for making tattooing

Researcher: ok

Enterprising: do you understand

Enterprising: then we are a family that not only me, but all, this is the root of the tree

Researcher: yeah, of course

Enterprising: do you follow me

Researcher: I have also photographic registers of some events that we have done and the whole story about it

Researcher: and you the previous experience in management

Enterprising: because I started working since I was very young, I was very good in business here

Researcher: ok

Enterprising: since I was a child, about 14 years old I was already involved in my business, when I was 15 years old I had a shop at the BIO-BIO, when I was 18 years old I had something near Bandera street where I used to buy things in Meiggs street, I put the name of import shop, as if I imported them, do you understand

Researcher: I see

Enterprising: Then I started to re-sell, to re-sell, to re-sell going house by house, then I was a seller at Provida and then I set up a gymnasium

Researcher: ok

Enterprising: and then I continued with the company, then I started to travel to export cell phones to Ecuador and started to sell cell phones coming here, I took them to Ecuador

Researcher: ok

Enterprising: after two years more or less this became illegal, but we did not know until the law was established, and it was not allowed to export cell phones anymore, because they were selected, finally I lost that job

Researcher: yeah, of course

Enterprising: and I was swindled and therefore I started washing cars at Guzmán shop located underground, this is how I started

Researcher: ahh, ok in that way

Enterprising: with a small pot and a piece of cloth and when you get 2 thousand pesos, 1 for me and the other for the other guy who has the concession underground

Researcher: ahh, ok

Enterprising: this is how the story began

Researcher: yeah, it is ok

Enterprising: now we have our trademark of tattooing dye that we are making, we are manufacturing a cream, and we have our own hair dying trademark

Researcher: ok

Enterprising: then we are there only

Researcher: you start from a minor thing and now you have what you have

Enterprising: yeah, the thing is to be happy, everything depends on that and work when we are supposed to do it

Researcher: yeah, if you like it

Enterprising: afterwards I started studying, but I only studied half semester not a semester and a half, I joined the management business school in foreign trade, do you follow me

Researcher: ok

Enterprising: In real I said to myself, if I continue 4 years more in this, I would lose all the money, I decided not to lose money and invest in my own business; I did not want to pay for a professional degree

Researcher: ok

Enterprising: I wanted to pay here, understand, then from here

Researcher: of course, that is to say

Enterprising: now I have the intention of establishing a new society, we will have one, we will start importing tattooing dye of eight different trademarks here in Chile, luckily is coming one brought by another person besides the two of us who will become partners

Researcher: then, everything is fine

Enterprising: we are clear, we are the pioneers in the first issue of tattooing dye here at a wholesale and at a good price certainly, this is bringing Fluor dye that is why I say now

Researcher: yeah, oh God, it is ok

Interview: that is that many projects are coming ahead and another festival is coming that we want to extend the shop in Santiago downtown and have two shops in the market nearby, children are coming here for the same reason, I started growing and I started realizing that I did not feel having as an outdoors market, I wanted....

Researcher: like a shop in a certain place

Enterprising: something stable, do you understand me

Researcher: yes

Enterprising: it should be seen in this way, then I started and I had with a sorrow in my soul and lose some weight, in the market it is sold too much, but it does not mean it is the best to continue growing, that you will be seen by others as a good solid company, since here in the market is not such a solid place as to have an established place, you are considered in a different way

Researcher: yeah sure, you are right!

Enterprising: Then I had in mind the intention of improving and said to myself, this is so

Researcher: yeah, and in this way it was clear

Enterprising: and this is how it goes

Researcher: yeah, this is how it goes

Enterprising: then we are there

Researcher: yeah

Enterprising: I travel now, I should travel next Tuesday to Brazil, I am waiting for the ticket, and there is a great demand for tickets now at this time

Researcher: of course

Enterprising: then I have booked the tickets for the first days of January when I went there and came back now on the 15th and in the 17th I left

Researcher: ok

Enterprising: yes

Researcher: good one, and in your stadium, which have been the dangers, the difficulties for bringing your business forward, has it been difficult, either for the legal hindrances

Enterprising: not the legal hindrances at such, it was rather to meet resources to begin observing the rules which is the most difficult thing and then you have to invest and start little by little, understand, then I had to start with some legal difficulties, but I was doing my best regarding the sanitary commissions which I had, I always looked for something better and did so, even I did not have everything, but my best, understand, people always criticize the cleanest place, until reaching a phase where you have everything, that is, you have beds, you have self-key, you have dishwashers, you have the whole area clean, to clean everything, understand, a reception zone, a zone

Researcher: all

Enterprising: do you understand, a clean area and an armored area with your trash can, a dirty area

Researcher: of course, that is to say the best as possible

Enterprising: if you start realizing even a soap pot costs 5.000 and for one soap pot they charged me 5.000 and the small mirror

Researcher: so that it is seen more beautiful

Enterprising: and next day they are 10 more, it is beautiful later, then the paper towel is missing and this is how you start

Researcher: of course

Enterprising: and then you start adding and adding

Researcher: yeah, everything is increasing

Enterprising: everything

Researcher: but for the same reason it is reflected in your clients, they prefer you, you have clients for years, how is this

Enterprising: no, they prefer us for the service of assisting being a company different from others, I feel the others as a way of having money at that time, nothing else, I have seen how he worked in a shop called x shop in a certain area where too many people are there, but the guy does not get 100 daily, 200 daily and he also kept the shop, so you say how did I get 100, 80 were inside the shop and 20 I spent, understand, 20, 15, 10% daily, the money started decreasing, started counting how much I had in coins and I have 70, I spend all coins, understand, then I started keeping the coins also, understand

Researcher: of course, you are putting more money in the shop, do you know the people who come to you, and do you know what they want

Enterprising: I know the service, I know what they need, I know their priority here, you have to deal with the kneedles, the dye and in between the gloves and small pots and this is how I started, understand, then you have to start by two

Researcher: ok

Enterprising: same I know many people from South America that they use too much tattooing, some from Argentina, Bolivia, some from Peru, many Brazilians too, I know plenty of them

Researcher: yes, completely involved in industry

Enterprising: ah, and friends that when I visited them, I stay in Brazil in my friend's house

Researcher: ahh, that is

Enterprising: yes and I sell him materials and I prohibit him the same at a wholesale, there we have a treaty with China which sends me the merchandise to Chile and I take it to Brazil

Researcher: ok

Enterprising: and from Brazil I bring merchandise here, and then we have merchandise from China, Brazil and Chile

Researcher: whatever you need and then of course from the ones that you buy

Enterprising: the suppliers

Researcher: ok, are your suppliers from abroad, then do you have a foreign relation

Enterprising: foreign and also I have suppliers

Researcher: ok, and how is the relation

Enterprising: national, I have national, international and I supply people from outside

Researcher: oh, so you are also a supplier

Enterprising: it is a mixture

Researcher: yes

Enterprising: it is like barter. I change this for this and finally they give me money and that money is invested there or in front but...

Researcher: go on, go on

Enterprising: yes and then I earn

Researcher: ok

Enterprising: then what I get I invest it there and what I have invested here I bring it back and what I earn I invest it within one year, then I bring in this way the merchandise from

there and what we sell here and there, we recover it, but it is only capital, do you understand me, how I make it grow

Researcher: yes I understand and is it a good commercial relation with them with your suppliers being them far away

Enterprising: yes, I am very much attached

Researcher: ok friends

Enterprising: I am spoiled by them, I am their gift, I feel they are my friends; I can sit with any of my suppliers and tell him I have a problem

Researcher: yes

Enterprising: and we have sat down to talk of anything or a comment that he has

Researcher: ahh, ok

Enterprising: there are very difficult moments to face suddenly, some things or any decision, sometimes the best people are like that, a devil knows much more for being old than for being devil they say, then almost all my suppliers are elder than me, I am the small guy in the family, the naughty one, imagine that I am making this tattooing for 2 years abroad, no 3 years, I started with 700 thousand pesos thinking that I will be conquering the world, understand

Researcher: ok

Enterprising: By bus 700 thousand pesos I had for accommodation for food, everything with 700, then half was for the business

Researcher: yes

Enterprising: and I was happy, here nobody had

Researcher: ahh, ok

Enterprising: and this is how I started to understand that this could be bought and one day I had the idea of carrying a bag with me with things to change, whatever it was, understand, which everybody liked it and finally I was with a lot of things

Researcher: thus the bag

Enterprising: no, I already have an order per group in this trip

Researcher: ok

Enterprising: and from those 10 thousand dollars, I get the 30%

Researcher: ok, it is not bad

Enterprising: then I bring merchandise to Chile and here I double it

Researcher: ok then

Enterprising: yeah

Enterprising: the 10 thousand are the 4 of course since here it is an effective day plus the money

Researcher: ok

Enterprising: the bloody money

Researcher: yeah the bloody money of course, and the administrative part, says all what is related to the diligences

Enterprising: I have done everything, but what I have not paid is IVA, it is delayed

Researcher: ok

Enterprising: because I am meeting more money even if I pay that it is like a loan, do you understand my point, I will add interest to the internal taxation, but I have the money, understand

Researcher: yes

Enterprising: now I am using the money instead of asking from the bank, I use it in internal taxation and I pay it in that way and it is the same thing

Researcher: yes

Enterprising: and the bank bothers you then, here the people do not charge IVA because you charge for a gross price, isn't it

Researcher: yes, yes

Enterprising: ok, then I charge 2.000 pesos plus the 20% which are around 4.000, 2.000, 400 pesos, understand, then those 400 goes to the state, isn't it

Researcher: yes

Enterprising: and I pay them to the state

Researcher: now you don't borrow from them

Enterprising: I invest it, I invest it, I invest it then after 12 months plus 6 months of interest for owing 1.200.000 they are 150 thousand or 200 thousand then I took it and it has come| to 400 thousand and if I took it from a commercial establishment, then it is double the amount

Researcher: yeah, then you

Enterprising: then the internal taxation that came to check the accounting books must be updated, all this goes to the taxation which I won't pay interest, even if they come, I won't pay, but I pay when I can, understand

Researcher: yes

Enterprising: and then they call me asking why I have not paid for the taxation and in this way...

Researcher: yes, I pay interest

Enterprising: why should I pay interest to the state guy

Researcher: Have you got aid from some government program

Enterprising: ja, ja, ja...No, they are extremely complicate, they ask for many documents and you waste too much time and it is not worthy, also this type of business is not considered very reliable

Researcher: What do you mean?

Enterprising: yeah, they think that those dealing with this business are hippies or delinquents and they distrust of them.

Researcher: I understand, thanks for your time

Interview #5, Watch Shop

Researcher: I want you to tell me what type of business is the one that you have

Enterprising: I have a bazaar and watch store something like that

Researcher: ok, and do you have this business for a long time

Enterprising: I have this business for 5 years

Researcher: 5 years

Enterprising: yes

Researcher: are you the only owner

Enterprising: I am the owner

Researcher: and the only worker

Enterprising: yes

Researcher: yes

Enterprising: my daughter works sometimes when I am not available, but generally I work there

Researcher: oh, you work, how did you start with this business

Enterprising: I worked with the owner, I was an employee

Researcher: ok

Enterprising: my brother in law has a business dealing with watches, my work has nothing to do with the watch store

Researcher: ok

Enterprising: and with him I learned and I started with this thinking that I will succeed, but we must start with some capital to have a business

Researcher: yes

Enterprising: because without capital it is very difficult to succeed, it is very difficult, and then if I don't bring a good capital, you are always beating time.

Researcher: yeah, of course

Enterprising: why with the debts everything starts accumulating and the small business that you have takes away all the money, the business is a good idea, because you work on your own and we do not depend on employers, but it is difficult to keep it if it is not a good and profitable business

Researcher: yeah

Enterprising: is it difficult to keep the business

Researcher: yeah, it is

Enterprising: Is this business a good one

Researcher: yeah

Enterprising: it is not a bad business, but we must have a capital, I started with a very little capital

Researcher: yeah, ok

Enterprising: and I left the company where I worked and started with this

Researcher: and have you had any previous experience, did you know how to manage a business

Researcher: yeah,

Enterprising: I work in the outdoors market in the same way, I have my license and I work in the same field

Researcher: yeah

Enterprising: I started by and by and I worked the whole week including Saturday and Sunday in the market

Researcher: ok

Enterprising: so as to support myself since there are many expenses

Researcher: and did you have the same in the outdoors market

Enterprising: yes, the same

Researcher: all those things for a watch store

Enterprising: yes, I sell batteries, watch wrists and decorations

Researcher: and are you doing this for many years

Enterprising: I work in the outdoors market for a long time

Researcher: ok and this is how the idea started

Enterprising: yes, I started with the idea of establishing a business on rent

Researcher: of course, the shop

Enterprising: because I pay rent for it

Researcher: of course

Enterprising: and the fact of keeping an accounting, the registers and all that, do you also have your money and time for it

Researcher: of course, and do you handle it

Enterprising: yeah, I handle it

Researcher: yeah, that is all the accounting registers, the payment of IVA and all those things

Enterprising: yes, I do all that

Researcher: ok

Enterprising: because for all the bad experiences that I have had there, the accountants always cheat me and steal money since he trust too much on accountants

Researcher: ok

Enterprising: then the accountants have not paid for the IVA, they arrange the registers, pay less of what they are supposed to pay, last time he was paying IVA for almost two years that he had already paid

Researcher: of course, yeah

Enterprising: the accountant arranged the registers with big amount

Researcher: yeah, ok, and how did you learn to keep the accounting, since it is very complicate with those amount

Enterprising: well, my daughter is keeping the accounting since she has studied accounting

Researcher: ohh, ok, it is clear

Enterprising: yes, then it is easy

Researcher: of course and all the diligences that you had to carry out for opening the store

Enterprising: all the steps were carried out by me

Researcher: ah, did you carry out all diligences

Enterprising: all related to internal taxation

Researcher: and was it very complicate

Enterprising: no, no

Researcher: no

Enterprising: but is it not a very simple diligence

Researcher: yes

Enterprising: yes

Researcher: ok, and was it difficult to open it, did you have to wait to get the licence

Enterprising: not at all since I had all the documents, so it was very easy

Researcher: of course, that is important

Enterprising: yes

Researcher: yeah, having all that

Enterprising: if you have the license for the stores and if you have the licence for the shop they neither give you permit from the municipality

Researcher: but once, is it possible

Enterprising: yeah, to have everything first, you carry out the steps in internal taxation and all those documents

Researcher: ok, how is your relation with those people from whom you buy the materials and things that you sell is it a close relation, do you know them or you simply...

Enterprising: no, I am a client only from where I buy because that

Researcher: oh, one more client

Enterprising: Yeah, one client more in that place where I go to buy only

Researcher: yeah, ok and your clients

Enterprising: the clients are only clients from here from the area that I have always had

Researcher: tell me, how is your relation with them

Enterprising: the relation is good, because I have good approach with the clients, I am a person that assists the clients in a good manner since this is essential, to see the client happy, because if he does not have money, I make a discount

Researcher: ok

Enterprising: the thing is to conquer the client

Researcher: of course, that is very good

Enterprising: because if one gives a discount to the client, he will come back

Researcher: of course, and this is important

Enterprising: the client comes back then, I don't send the client away, and I always try to keep him

Researcher: and for what items do your clients come more

Enterprising: to buy batteries and watch wrists

Researcher: ok

Enterprising: and we also have repairs

Researcher: yeah, and do you handle all that

Enterprising: yes, all

Researcher: what do you think you are lacking of to continue with the business in the long run?

Enterprising: What I really need now is money

Researcher: money

Enterprising: it is money to support the business in order to succeed

Researcher: yeah

Enterprising: because when I started with the business, what happen is that I have many expenses, I have children then, it is necessary money, I spend money, they are studying...

Researcher: yes

Enterprising: then I cannot allow my children to work, because they would be leaving aside their studies

Researcher: yeah, I know there are many expenses

Enterprising: of course, then I have to support the house, pay for all the expenses of it also

Researcher: yeah, of course

Enterprising: and pay for the studies of my children

Researcher: of course

Enterprising: and that is why I work here in the business and I also work Saturday and Sunday and I work in the outdoors market, I really work only

Researcher: yeah, of course you work only, you are not at home

Enterprising: and a time comes when there is no money

Researcher: yes

Enterprising: you work and work and finally I keep myself in the same position

Researcher: what a pity! And how are sales, are they good

Enterprising: no, sales here are bad

Researcher: bad

Enterprising: Yeah because with the thing of Transantiago I rent this shop for the same reason since here they were plenty of people, the buses turned here, everybody waited for the buses to come, the first year I came here was good, but after with the Transantiago, nobody passes by the road

Researcher: ok, then

Enterprising: the business was spoiled completely

Researcher: yeah, the sales went down too much

Enterprising: of course, because this business is for people who pass by only, the batteries, the watchwrist and all that, people were very kind, they came to see the hands, to see the

batteries, then it was full of people and now nobody passes by the road, then I suffer also

Researcher: then, what did you do to support yourself in spite of

Enterprising: that is why I say that I have to work Saturday and Sunday in the outdoors market and in this way I support myself

Researcher: that is to look for a separate work

Enterprising: to look for something extra

Researcher: uyy, yeah

Enterprising: If I had continued here, with the same transportation and all, I would have succeeded with the business

Researcher: of course

Enterprising: Because I succeeded with it, the people

Researcher: yeah

Enterprising: but here people got lost with the Transantiago

Researcher: yes

Enterprising: As in many businesses the Transantiago destroyed them

Researcher: of course

Enterprising: this was a disaster for the business people

Researcher: yeah, you are right and therefore in the case you were short of money, either because it was no profit during the month

Enterprising: there was not much profit

Researcher: of course

Enterprising: if there is no profit, I cannot invest much, I have to support myself with what I sell and buying a little bit in merchandise

Researcher: a little bit, and if you wanted to buy too much, would you ask for a credit

Enterprising: I want to finish with credits, because I had already

Researcher: yeah

Enterprising: and I want to finish with credits since sale is very little, I don't work much

Researcher: it is not convenient

Enterprising: of course, I am working just to pay every month, all bills get accumulated and I do not invest anything, if I fool around only, but I do not invest in what I wanted to put in my business

Researcher: of course

Enterprising: we should sell everything here, but I can't because I have no money extra, I pay only, at least I am not delayed with the bills of the government and with the overdue bills. it would be a disorder

Researcher: of course, it would be a clear problem and if you want to expand, would you continue in the same field

Enterprising: the same field, this is a good field to work in since it is a good margin, because it has a great public

Researcher: of course, public is needed

Enterprising: yeah, public for all business is needed, if there are no people, we do not sell

Researcher: ok and for the same reason, what has been your greatest difficulty?

Enterprising: the difficulty was the public, people left here

Researcher: ok

Enterprising: then this

Researcher: ok

Enterprising: that is if I had money, I would invest a little, I would try to move from here and look for another shop

Researcher: ahh, ok

Enterprising: look for another shop where it would be more a little more, I even have somebody to look after the shop if I move from here

Researcher: if you do it, ok

Enterprising: yes, if I move from here

Researcher: of course, yeah

Enterprising: because I don't want to leave the business either, since this is the first time I have an established shop

Researcher: ok

Enterprising: I always worked as an employee

Researcher: ok

Enterprising: then it is more difficult

Researcher: yes, of course

Enterprising: It is very difficult, because one just starts working in the field, I am like a new bird which I do not like, and at least I have maintained myself orderly as regard to money

Researcher: of course, you keep an order

Enterprising: of course I do

Researcher: that is important

Enterprising: in other words, we have kept the order for the same reason, so as not to leave everything as it is

Researcher: of course

Enterprising: can you imagine with a little bit of sale and a disorder in money in which you owe to everybody, I would be crazy

Researcher: of course, you are right, you are, you have

Enterprising: the most important is to keep an order otherwise it is not kept in the proper way and we would fail

Researcher: yeah, of course

Enterprising: if you spend more than what you sell in your business and you go and buy this thing and the other, after the money is not enough to pay

Researcher: yeah, this is how the complications start

Enterprising: the complications are always there, we have to try to support ourselves and have money and buy everything

Researcher: and did you buy for your business

Enterprising: buy cash

Researcher: ahh, ok

Enterprising: everything is better for you in that way

Researcher: oh, yes

Enterprising: because if I ask for a credit, in the same way the credit leaves you behind

Researcher: ok

Enterprising: if you have a credit, you must have a good capital

Researcher: yeah, to be sure that you will be able to pay it later

Enterprising: of course, to pay it

Researcher: that is

Enterprising: because if I did not pay 100 pesos for the rent and had a credit of 100 thousand 120, it would be more difficult

Researcher: yeah, of course

Enterprising: and if had asked for a credit, I could be a supporter, it does not take much time, since no public has come, this is what it has really killed here

Researcher: of course

Enterprising: the area here, because the business is good, every business is good

Researcher: ok

Enterprising: we sell in the same way whatever we have, it is sold, but we must have a good location

Researcher: of course, that is important

Enterprising: if there is no good location, the business will die

Researcher: do you know something about the government programs for being an entrepreneur, have you participated in these courses

Enterprising: Yes, but for a micro-entrepreneur we must have a business destined for that purpose

Researcher: ok

Enterprising: because I don't have as a micro-entrepreneur, I have it as a shop only, I pay my license as manager only, not as a micro-entrepreneur

Researcher: ahh, ok

Enterprising: Because I should not be a micro-entrepreneur, I can't

Researcher: ok

Enterprising: I can't get involved in it since I am not a micro-entrepreneur

Researcher: yeah, ok

Enterprising: and that is given only to the micro-entrepreneurs

Researcher: ok

Enterprising: that is, can I attend courses in this way given by the municipality, but nothing else?

Researcher: yeah ok, and have you participated in those courses or not

Enterprising: no, no, because I have no time

Researcher: of course, the time

Enterprising: yeah the time

Researcher: but if you had time, would you participate

Enterprising: but if I had time, I would be more relaxed and I would attend to the courses

Researcher: ahh, ok

Enterprising: because you have to learn a little bit any way

Researcher: yes, it is never enough

Interview: yeah, in order to know more how to manage a business, but I have a slight idea, because I know to handle it, keep an order which is essential

Researcher: of course

Enterprising: in money matter I am not disordered with the resources, it is important also to keep an ordered business otherwise you fail

Researcher: of course

Enterprising: and with regard to the credit, I have and I can ask in any bank

Researcher: yeah

Enterprising: because before finish paying the Banefe for the credit, I pay 70, 80 thousand pesos every month and I finish in March and instead of paying credit, I want to destine these resources to buy merchandise and not to pay there

Researcher: of course, yes buying monthly

Enterprising: of course, of course if I buy monthly I get 30, 50 thousand pesos, I go and buy it

Researcher: of course

Enterprising: and I feel that I would do better instead of paying for the credit

Researcher: of course in all cases and an average of sales only

Enterprising: this is very relative sometimes I sell 15 thousand pesos daily

Researcher: ok

Enterprising: sometimes I sell 10, sometimes I sell 30

Researcher: yeah, it is relative that is an approximate idea only

Enterprising: 35, 40 is what I have sold most, the business is not for sale either

Researcher: yeah and in which date have you reached more sales

Enterprising: it is relative

Researcher: relative that is

Enterprising: there are occasions that one feels it will be good and we don't sell anything

Researcher: of course

Enterprising: sometimes one feels that we will sell less, we finally sell

Researcher: of course

Enterprising: Business is something relative, there are no particular dates for sale, it depends on public only

Researcher: ok

Enterprising: better the container

Researcher: yeah and the knowledge on watch shop

Enterprising: I have learned that with only one

Researcher: you already know what it means to assemble or disassemble a watch; fix the machine part and all that

Enterprising: I learned that, the most difficult things I send them to a more specialized technician

Researcher: but can you already handle that

Enterprising: but I already have the notion of assembling and disassembling and make some basic arrangements

Researcher: of course

Enterprising: the rest I give it to the technician which he disarranges.

Researcher: ok

Enterprising: the technician, because are sophisticated watches

Researcher: yes

Enterprising: yes

Researcher: ahh, ok

Enterprising: but in the same way I started being responsible with my work

Researcher: ok

Enterprising: because the client spend his money and as we do not want the people to disturb us, then one has to be responsible with what we do, for instance, this is a good watch, they pay 10 thousand pesos for fixing it and they want the watch to work properly and we must be responsible with that work so that the client comes back later

Researcher: of course

Enterprising: if you leave something wrong, he won't come back anymore and he gives bad propaganda for you

Researcher: yeah, he does not recommend you

Enterprising: yeah, he won't recommend you

Researcher: of course

Enterprising: if you do a good work, the same client will recommend you to the people and comes back and bring another client and the other one brings other and so on..

Researcher: of course

Interview: this is how I have started with clients

Researcher: ok then you were recommended to the people

Enterprising: yes, you were recommended by other people

Researcher: and do they come

Enterprising: and I also do not charge much, I charge very cheap

Researcher: ok

Enterprising: this is the main thing that I won't charge very expensive either

Researcher: ok

Enterprising: so this is what

Researcher: yeah, ok thanks

Interview #6, Sewing

Researcher: can you tell what type of business you have

Enterprising: I have a business here where I manufacture and make all what others do not have here in La Vega. For example, I started making hats, this is how I started, making hats, after I started increasing with system....bathroom sets, bed sheets sets. I started applying to this, for instance, some bags for bread, the pots for the bread. Then I started making the pillows for the babies...That is, all what I did not see in other people, this was created by me here in La Vega.

Researcher: how long are you working in this?

Enterprising: 3 years. I will complete 4 years now in June.

Researcher: Are you the only owner or do you have a partner?

Enterprising: I started alone and I continue alone, because partnership is never good. I started alone and will continue alone.

Researcher: Are you the only worker?

Enterprising: yes, I am

Researcher: Tell me, how you got this idea...

Enterprising: Well, my idea was born out of necessity. My husband fell sick and I had to get by and then I said to myself, I will set up something. That is why I say, I started with 6 hats.

In one year I increased the amount, I bought my industrial machinery, and in less than one year I bought a second one also, which is an industrial over lock, since I wanted to grow largely. And I continue supporting my house and my husband who has a chronic disease, he cannot work and with this I support my house and my expenses and his disease....and great part of the disease of my husband, because it is very expensive and for me it is very hard, I started early in the morning and finish very late. It is easily 10 o'clock at night, sometimes even more, for the same reason I have to....my work is a great sacrifice, because I work alone.

Researcher: and did you have any previous experience in managing a company, a business?

Enterprising: Yes, I had...when he was healthy we had a furniture factory, then it was from there where I got the knowledge as an entrepreneur. And I learned this field alone

so as to manufacture clothes for me, because since I have long legs and long trunk, everything was short in me. Then, I did the design course and clothing, but for me. I never thought in future, that I was going to use it for surviving and for supporting my husband. It was that...

Researcher: And what happened with your old business?

Enterprising: We closed it for the simple reason that when he became seriously ill, it was very difficult for me and very hard to carry on with all this, with a sick person, because there I have... Presently, he gets dialysis, then I must take him, pick him up, every two days, then in that way, I left my factory aside, my workers aside, and it does not go a long way if you are not at the head of the business and looking after the people.

It is not like this, because I do this activity more relaxed in certain way because when I have to take him to hospital, I close it and that is enough and most of my clients call me on the telephone, they say, Mrs. Julia: Will you be in your shop? If not, I say at such and such time I will be back, I am at the hospital.

That is, most of the people are aware of my case. Then, I made here my clients and...my prestige which is what I have nowadays which makes me have too many clients thanks God that is what it makes me keep it alive in my house. But that is the....

Researcher: Can you tell what has been the most difficult thing to keep your business.

What has been more difficult for you?

Enterprising: Really I don't know, because I try everything to be easy for me and possible to do it. For example, when I am waiting at the hospital, there are many things to do, I start making like the Christmas baskets which I made now, ok? I take them there and cut them or I start embroidering in ribbon also. I bought a magazine and learned how to

embroider in ribbon. Then meanwhile I wait at the hospital, I do the small baskets and at night same thing, meanwhile my husband feels asleep, I take care of him and I am embroidering. Then, I try everything to be easy for me; otherwise it would be extremely hard.

Researcher: And what do you think it will be necessary for you to improve, change so that the business last for a long time, be kept in the long run beyond what already....?

Enterprising: My aspirations are to grow a little bit more, to buy a pair of machinery more which are the ones I am lacking of, but I am giving myself a little time

....meanwhile I keep my husband more stable so as to invest in buying a pair of machinery more since I pretend to extend more my shop, make it grow. Then one is never satisfied. When you already reach a goal, one continues wanting to grow more.

Well, the ideal would be if I could find a girl who worked in the proper way as I do, so that suddenly, I could leave her working when I go out with my husband.

Researcher: Could you tell me how your relation with your environment, your suppliers is, do you know them...?

Enterprising: Look, what I manufacture here....I buy things very cheap downtown. I have my shops where I buy and as I don't have the capital, I don't buy at a wholesaler, I buy little by little and I try to multiply it....

For instance, there is a place where there is a piece of cloth box and I have the pleasure to select the one I can really imagine it could be useful for me, for my own purpose and this is what I bring. But I buy very little. Then the girls or young people where I buy, already know me and I have a good relation with them.

Researcher: Well, you said you have your clients for years

Enterprising: Yeah, since I started here I have clients and they have opened me the clients portfolio, because they bring me, first the gentlemen start, then they bring their own wives, their children. Those who are married bring their wives and this is how the chain continues and then in this way my shop has been enlarged.

Nowadays, I have clients from Monte Aguila, from Yumbel who comes every 15 days and bring me bags with tales. Because I make, for instance, too many arrangements. Then, in this way I keep my time to assist my people and to create things according to the date in which they are coming, in accordance to the calendar.

Then, regarding Christmas, I get ready myself with Christmas things that the rest do not have. If it is for the 18, National Holidays, same, I manufacture what the rest do not have. Then, they will always find exclusive things only here. Then my clients know, they want a pair of exclusive gifts, they come here to get them.

Researcher: Do you know what your clients are looking for?

Enterprising: Yes, one learns to please the clients. When you deal with them, you get the.....

Researcher: You, all related with the administrative part, the diligences..

Enterprising: I do everything.

Researcher: You do all and did you get the knowledge in the company that you had before.

Enterprising: I keep my accounting register, that is....The IVA is done by myShe pays the IVA, the slip of paper and the balance only. But the rest I fill my register and all....

Researcher: And does she know about this

Enterprising: She has an accounting office here next to me.

Researcher: Ah, ok. Then, Ok.....If you found yourself that you are short of money, either because you want to buy machinery or you did not have too much profit, what would be your option, go and ask for a loan from the bank, from friends, family members.

Enterprising: Look, to tell you the truth, I don't like to disturb my environment, in relation to family, brothers, no. I have always liked alone, to carry on alone.

Nowadays for instance, I can't ask for a loan from the bank, I can't for my husband's disease, I can't get into debts. This is the truth. Then, I am an ordered person and I am keeping a certain amount of money in some boxes every day that is for the rent of the shop, to pay my accounts and my expenses. Then I don't touch that money. Every day I put some money in the boxes. What is left is what I spend in the rest of the things.

Then, I am very....very organized in that, no..no...I try not to disturb. I don't like to disturb anybody and...

Last year I launched a....to the "Semilla" program a....how do you call...They called me to participate, but I failed since I did not have enough knowledge, so I filled it roughly only, I did not go deep into the subject, for not having knowledge.

But now I will apply again this year, ok? Supported by them, by SERCOTEC. Then, already supported by them it will be different, then I hope this year I get some result and if they could enlarge my workshop and buy for me the two machineries that I am short of, it would be welcome. If not, I will continue struggling alone until getting my objective.

Researcher: Ok, and can you tell me roughly which is the monthly average of sales, something like that.... Just to have an idea.

Enterprising: Look, it is relative. Here, I get more than 30, 25 daily. Thanks God no. For me, it is not bad, no, as compared with the rest of my neighbors. Eh, I get permanently too many people in my shop, full of movement and there are days for example that I am there only half a day.

For instance, today I worked half a day, because I was released from hospital at 1.30.

And you know, it has not been a bad day for me.

Interview #7, Brewery Shop

Enterprising:Because talking about micro-entrepreneur is a long subject. Because if you want me to tell you about this shop, because from the past experience is very long

Researcher: But if you can, also.

Enterprising: But it is very long

Researcher: then, tell me now what type of business is the one you are having

Enterprising: This is a brewery shop and cookery. Brewery and cookery where soft drinks, beers, shops, lunch, breakfast, tea is sold, perhaps. It is not ordered. This is in relation to sales sold here; hot dogs, also, fried potatoes.

Researcher: how long do you have this business?

Enterprising: Ah, a long time....almost completing 5 years, 5 years

Researcher: and are you the only owner or do you have a partner

Enterprising: I am the only one

Researcher: and how many workers do you have

Enterprising: 2

Researcher: you and somebody else

Enterprising: 2 more

Researcher: and how did this idea started for establishing here this type of business

Enterprising: Look, the story is more or less like this.....This started at the time when I got separated and then I thought of establishing cookery; I will save food, I will save breakfast, lunch, and tea. I added all these 2 things, 3 things in a month; I was short of 100.000 pesos.

Then, I said to myself: oh! How much does it cost, like less of the cost. Since I consulted before. I put the rest...and with that...this is how I saw this business.

In such a way that this business was bankrupted, the other friend....who was before here, had failed, the one who sold me this.

Then, as I have a lot of experience in business, more than 30 years...this is what this business was lacking of. I had a good vision, it was important to add this and that, to implement these things and this business has to be a real business.

So, finally it was a very good idea and look how I started, I started only with that idea.

For me it was enough to be able to settle down....with food and to be able to pay the rent, but it has been different, it has exceeded that. I have a stable clientele, wherever I can, I say....this and this money is for that this month.

That is the story, in short, it was that.

Researcher: yeah, that was your..

Enterprising: Yes. But, path...I am working as a business person since the year '81.

Researcher: Yeah, so did you have a business

Enterprising: Different....That is why I say, here this is the last one....in the last job where I find myself nowadays.

But first I started with a shoe factory for 15 years. It was very good until the Chinese shoe came. Then all prices went down and the whole system disappeared. While, even the most prestigious factories in the Northern area are only a few. While, even the most prestigious factories are not having good time, for instance, "Gacel" is the oldest one since they have tanning. But the others, have gone into bankruptcy all the others, "Cardinale", "Regelio", just to name some of the trademarks. Then, that footwear killed the Chilean shoe, the Chilean production.

All this free trade, in other words killed all those from Chile....Because here, I would say....I feel that half of the people is wearing American clothing and half buy in shops. It is half of them, who wear American clothing; you buy one piece of cloth in thousand pesos, two thousand pesos. Then...that is the whole thing.

After those 15 years, I had groceries shop. I was 12 years with a supermarket...

Researcher: Ahh, ok

Enterprising: Groceries

Researcher: yeah, and what happened...

Enterprising: Well, this was a very good one also, very good, until when the supermarketthis "Santa Isabel" brought plastic. Two years ago they brought plastic and killed all those shops nearby. Do you know what am I referring with plastic?

Researcher: No

Enterprising: to the card

Researcher: Ahh, ok

Enterprising: So, nowadays they offer you the “Jumbo” one, they offer the “Mas” card and.... so many others. But they started with the card....first you could take credit with the “Ripley” card, if I am not wrong, and other card...”Santa....”, “Falabella”.

With those you could take credit and butter....and ask for food, clothing and any other, whatever you wanted.

Then, when these new owners came here, they killed the rest....

Then here I, as I have too much business vision, I said: this will die, will die here, I have to open my own business, I install a collective taxi to that business. I installed collective taxis on the road, I placed three cars, and for 3 years....I worked in this. I did not succeed because the drivers do not care for somebody else property, nobody does it.

And it was not a business, finally I finished with it.

After that, I came here when I realized that this was not a good future in this business, I bought this business here.

Researcher: Ok and...

Enterprising: and here I am.

Researcher: and here you are.

Enterprising: Now this will be a business until does not come on....because there were some rumors that a shopping center will be set up here.

Did you hear sometime?

Researcher: Yes, nearby

Enterprising: Yeah, but this was awarded by Talcahuano and they are doing it here in the “Brisas del Sol” next to “INACAP”.

Ah, but I am telling you. Suddenly it can appear any big fish here installing....so far they say...this is new, this information: that within two more years it will come "Falabella" in front, the big shops will be installed there in front, that while come in here there is a....like a square there in front.

Researcher: Yes

Enterprising: Yeah, they will install inside. And if they install there and bring steam food as in the mall, we will all die the ones we are here....Then we have to run away from here. That is why I said, this is business provided nothing else come on the way.

Researcher: of course

Enterprising: Ok? Any doubt or consultation...

Researcher: Your difficulties. What difficulties have you had?

Enterprising: Those who drink alcohol and go to their head and get drunk. That is the patience we must have when in this case, this type of business, where there is alcohol....alcohol consumption, is when the client starts going on with the effect of it and at the same time gets more stubborn, more aggressive, more of everything. Sometimes becomes an uncontrolled situation.

If you can't control yourself, or have a strong personality, finally you have to allow them to do whatever they want. Then they may....start quarreling and things like that.

Here....here this is definitely people with alcohol (Margot....the 5, already) it may become an uncontrolled nursery school, if you don't make yourself respected. That is the difficulty.

Researcher: How is your relation with the suppliers?

In relation to suppliers, there aren't...there is no difficulty with suppliers because we have alternative suppliers. For example, Cola...the Coca-Cola is there which is an additive, and within this there are distributor companies that also deliver the same product in the same amount of money.

Researcher: Ok

Enterprising: In beers also. The CCU is there. There are also alternative, distributor companies that also deliver at the same price. So that if one fails, you have the other. And the rest...there is no....there is no shortage; let us say of meat in which they work. The only thing is that we must enlarge money.

Researcher: So that we are not short of, ok.

Enterprising: So that you can keep on going. You can, let us say, keep your business. That is so.

Because you can't spend all the capital, you must be there, 50 50

Researcher: Well and do you have your clientele in this way

Enterprising: Of course...yeah, I already have my monthly resource and we more or less know ...how much we sell daily, roughly

Researcher: Yeah and you, what about the taxes negotiations, the IVA statements, you do it or do you have any accountant advisory

Enterprising: Obviously an accountant must be there, we must have an accountant for this purpose.

Researcher: And all those diligences that we had to carry out to open the shop, like, I don't know the inspection of...

Enterprising: That is nothing. You buy a shop only and then...In this case since it is related to food, or if it is of food or groceries, you simple have to go to the municipality and ask for ...ask for...a resolution, that they call so as to change the name of the previous owner. One with the purchasing contracts made, the sanitary resolutions and all the rest, is transferred to me and then they start visiting, because a sanitary inspector will come to check your shop in this case, because we are dealing in food.

Researcher: of course

Enterprising: Then....that is it.

But one does not waste more time. One does not waste any time, nothing, you only go once and prepare a letter.....for instance to....Health Department, let us say and to the Ministry of Health located in O'Higgins. In which....I am xxxx, my name is such and such, Identity Card N° xxxx and I am the new owner of the licences xxxx and then the Health area goes to visit you and that is all.

Researcher: Ah, ok

Enterprising: That is very fast.

Researcher: Yeah, and...do you believe that you should improve something so that the business is kept in the long run, or change something or is it ok as it is.

Enterprising: Well, obviously that for having a very good assistance for the clients, it is necessary to enlarge it more. To be one or two shops separate. That is the idea, but it has its own cost.

Researcher: Yeah, certainly!

Enterprising: It has its own cost.

Researcher: And if you were short of money, either for enlarging or for other things, what would be your option, to ask for a bank loan or borrow from friends, family members.

Enterprising: No, nobody lends you money. You...nor even the best friend of yours will give you money...

As much, they can give you 500 pesos, but tomorrow he will ask for it...or next day. No, nowadays there is no friend who will give you money, no. They can give you 1.000 pesos, 5 thousand, but what for....it is not enough....Well, they are useful, but not to do a particular thing.

No, in that case...we must ask for a loan

Researcher: is it?

Enterprising: Nowadays everyone gives you money. If you are ok with your....ok with your life and if you are not in "Dicom", they will lend you....anybody will give you money. Before you came here, there was a gentleman who was offering me a house, in 30 millions. Who would finance me the 30 millions, the 100%...? the "Banefe" bank...or "Santander".

Ah, yeah, all of them lend you money.

Enterprising: Of course, because I must have the vision only and what to do with that property so that the property starts producing and the credit is paid. That is the idea.

What I did with the cars; with the cars I did not even have driving license. The first year I bought it...No, I bought it, I asked for a credit from "Conosur". They gave me money which was increased, the car was paid, ok? The second one, in the same situation.

Researcher: Yeah

Enterprising: Without giving any money. Now you are doing well with your business...But you must always have a support in your business so as to move documents...

Researcher: Certainly

Enterprising: OK? This is useful as a credit, to be senior in your work, ok? I want to start another business, I move papers and they give me the credit, they give me money. We must have a good eye only of what type of business you will start.

Researcher: You will succeed, certainly.

Enterprising: Certainly, because if you don't have.....and if was not the case, to be supported so that you can pay afterwards.

Researcher: Of course

Enterprising: That is the whole story because if you.....if your system fails, they won't give you any money again and you will immediately appear in "Dicom" or if you owe in a bank, you go to the Values Superintendency Office and you are caught.

Then, well, what did you learn from here, with me, that I have a special eye and knowledge on how to manage in business

Researcher: Of course

Enterprising: First of all one has to have a good view, as a business man. To have a good command in the theoretic part, before the practical thing. The theoretic part must be handled correctly much more than the practical thing. Because in practice, anyone can handle a business.

As you can see the lady. Look at her...look how old is this teenager and she manages the business. And here you can put a young girl, your friend Maritza, her daughter and she will handle the business.

In summer when I was one week outside and the girl managed the business. That is why I say, practice is not that important. Here in order to....start and this...as I say, write down in your mind for anybody that you interview: if he does not have a good practice, that is to say the good theory, wisdom, all related on how to push....a business and in such case of that person is the one who goes into bankruptcy, that is the person who in the near future if he does not succeed, will shake his head.

I, in my life, whenever I have felt headache, have never touched my head....Ja,jaja,jaja..

Researcher: Ok, yeah, Ja,jaja

Enterprising: Because, well I have had....as I told you...all my life, from '82, '81 onwards, how many years are?

Researcher: Many, certainly.

Enterprising: Many years

Researcher: yeah, certainly....more than twenty

Enterprising: No, I don't care.....the work I carry out, on my own as

Researcher: and do you have knowledge of the programs offered by the government...

Enterprising: Yes

Researcher: Have you participated?

Enterprising: In fact, I have taken training courses. But I have not taken any benefit out of it. Since if I wanted to buy a machinery, no.

Researcher: and what is your opinion of the training courses?

Enterprising: Good, good, very good, yes. I even have a text there, you see? This is a training course on...I am not sure of this....on “Environmental Hygiene and Food Manipulation”, that was one, the first one. The second one was “Techniques on Client Assistance”

Researcher: That is you have....

Enterprising: Certainly sometimes I use them, others....Ja, ja,ja.

Researcher: Sometimes I don't use them.

Enterprising: Certainly, because they ask me: “did you get any assistance? These are techniques, of what I do, you see? I am talking to you and I am concerned that the client is assisted.

Researcher: Certainly.

Enterprising: These are techniques and that is...there are people....who wants....to be taken into consideration. Not that you reached a place and sat down and if just in case they remember you....You don't go to beg , you go to...(yes of course)....(he is interrupted and talk to another person)

Well, here xxxx to teach what I stated to you, but we will become a part of it.

Researcher: Of course, ah yeah but...yes, that is, you have a good opinion of these courses.

Enterprising: Well, you asked me what I have done. I have done these two training courses that...have been....very useful to me.

But sometimes I say that one loses patience and well, the routine...

Researcher: One forgets training courses.

Enterprising: Routine, I say can kill anybody. You also, you now or any young person is with full energy and....are you still recording me?

Researcher: Yes, shall I turn it off?

Researcher: of course, ok but....yes, that is to say, you have a good opinion of these courses.

Enterprising: well, you asked me what I have done. I have done these two trainings thathave been...very useful for me.

But sometimes I tell you that one lose patience and well, routine...

Researcher: One forgets training

Enterprising: Routine, I tell you that will.....anybody. You also, you now or any young person is full of energy and...are you even recording me?

Researcher: Yes, shall I turn it off?

Enterprising: Cancel everything, because I told you everything.

APPENDIX 5: “IMAGINARY DIALOGS ON PHILOSOPHERS ON KNOWLEDGE”

During the study of the philosophical basis of the thesis, I considered to include a different point of view of the theoretical study of knowledge, inspiring in a narrative approach I presented the text like imaginary dialogs. After, I decided to include in the main thesis all the theoretical study in an academic conventional way. However, I believe this work using dialogs to expose a theoretical study would be interested and finally I included this appendix.

5.1 KNOWLEDGE NARRATIVES, A KNOWLEDGE HISTORY

The Narrative as a tool of analysis in Sciences of Administration has been proposed with success as subject of study in the last times (Czarniawska B 1998, Denning S 2001, Snowden D 2001) and it is also applied as the base of a new understanding of the knowledge's diligence (Snowden D 2002). Within this ambit, we find that the essay as a narrative strategy presents good possibilities of expression that permits to explore new ways of research and of contribution for teaching Social Sciences.

Among the narrative expressions we find drama as one of its expressions and dialogue as a tool of development. Plato used mainly the technique of dialogue, to bequeath the world its main works, foundations in philosophy and the western thought. This influenced mainly while transcribing Socrates' thoughts in the format of original

dialogues, in that way it was very difficult to use some technique different from dialogue in order to attract the force and intensity of Socrates' techniques.

Based on an imaginary dialogue among the authors of the theory of knowledge, they pretend to understand the definitions and the bases of this theory. To carry out this study, I will state a singular experience in the sport world, which is produced in the game per fourths of the world final match in soccer in Mexico 1986 between Argentina and England.

In that game the two most commented games took place in history of the world's soccer game. They pretend to analyze the knowledge applied by Maradona while playing both games and also the features associated to this knowledge and that are related to the diligence of the same, among others the creation of the knowledge, diffusion, to share, transference, storage and transformation.

5.2. THE KNOWLEDGE AND THE SPORT

In the study of knowledge, one of the main difficulties is to express how to carry out the tasks related to the expert knowledge, where the person who executes is an eminent exhibitor, but unable of expressing fully his actions. This fact is clearly presented in the sport activities, an example is of the best baseball player of history of Japan, Shigeo Nagashima in an game with Nonaka and Takeuchi while being consulted on his abilities, this was not able to articulate a concrete answer, even using expressions of the body and figurative movements, finally limitating to summarize that "it is something that we must feel" (See Nonaka and Takeuchi 1995).

5.3. THE CASE: THE GOAL OF HISTORY AND GOD'S HAND

In June 22, 1986, at the Aztec Stadium in Mexico City, Argentina and England came to play the fourths of the final soccer world match. The atmosphere was extremely tense, preceded by a historic sport rivalry with roots in the world soccer of 1966, also in the final fourths, where in an extremely polemic game, the British people would win the victory and would try the Argentinian people as “animals”. But the tension was still greater due to the recent memories of the war between both countries for the Falkland Islands (No matter they are Argentinian or British), so what it was on game was much more than a soccer game.

In this atmosphere the game was developed when after six minutes of the second round Diego Maradona started playing in the center of the court and after eluding a couple of rivals he tries to combine with Jorge Valdano, who fails in his return. Steve Hodge intercepts and sends the ball against his goalkeeper, in an easy game with the ball in theory for the goalkeeper Shilton, however Maradona who continued running in search of Valdano's return back, anticipates to Shilton and with his hand he pushed the ball to the net, it is 1-0. It was just noting down one of the most polemic goals of history, since in spite of the protests of the British people, the arbiter M.Bennaceur validated the round. After the game, Maradona would declare that the goal was “With Maradona's head and God's Hand”, flaring up more the polemics.

Four minutes later it came the game that strongly defines this match in the soccer history. Héctor Enriquez has received a ball in his own court near the central circle, then

he turns and he gave a short step to Maradona over the right sector at more than 60 meters of the British entrance. Maradona put his step with the left leg and quickly turns towards his right side, starting a giddy run to the opposite goalkeeper, Peter Reid and Peter Beardsley are the first in standing behind. Then in their own British court he also eludes Terry Butcher with a signal of speed towards the left side. In the middle Burruchaga appears and in the left side is Valdano, in front of this eventuality that Maradona delivers to them the ball. The British oppressor Terry Fenwick is in alert before this possibility of moving himself from one side to the other, but Maradona faced him to the entrance of the area and moves quickly on his right side. Within the British area Maradona again turns to the right side and takes away from him the goalkeeper Shilton, Butcher who had recovered himself, gives a strong stroke in Maradona's ankles, but it is too late, this one had already pushed it inside the British arch, the goal of history.

The sport relaters and journalists have become crazy, the world fondness also. Among others the top exponent of the sport relates in Argentina, the Uruguayan Victor Hugo Morales treats him as "genius", by doing metaphor with a cosmic podge asking himself: "From which planet is Maradona coming from?"

Then Gary Lineker would note down the discount for England, which would consecrate him as the top goal maker of the world's soccer game, but this would be the last anecdote of this encounter.

5.4. METHOLODOGY

An exhaustive revision of the literature would be carried out in the subject applying the theoretic concepts in the specific analysis of the situation stated.

A scheme of dialogue table will be created, establishing work groups, in which the protagonists will be fictitious features of the main exponents of the theory, the author of this article will act as moderator of the dialogue and occasionally they will have the participation of the protagonists of the case under study or other personalities who permit to give continuity and coherence to the dialogue.

The dialogues exposed are dramatized and are based on the real theoretic foundations of the authors, presented by the personalities based on the interpretation of the author with respect to each subject in the stated context.

We will try to respect as much as possible the original thought of the author, then each opinion given by the personalities will correspond to the original thought exposed to the context of the case in study, in the interpretation of the author of this thought, incorporating the necessary dramatic elements to give coherence to the work.

It is not worthy to explain that the dialectic abilities, of analysis and of all type of original personalities overcome in a great way to the ones of the author, but the purpose of the present essay is to expose his ideas as the nearest of its original even in risk of not corresponding, in such a way that the result of the work is nothing else than an interpretation of the original thoughts.

5.5. THE DIALOGUE

It is a special day and in some bar in Barcelona, takes place the following dialogue:

Author: Sport in the culture of the ancient Greece was a very important role and the games even more, this is shown in several writings where a deep devotion to the physical expression is outlined and among them we outline Herodotus, Empedocles, of the Gorgias, Hippias sophists (who was born near the sanctuary and it seems that he attended to all the celebrations of the games to show his oratory dowries), Prodicus and Polo and many others. (García Romero 2003). The knowledge and its relation with sport will be the focus of this chat.

Cicero: In a known anecdote, King León of Fliunte, asked Pythagoras who were the philosophers and in what way were they different from the other men. “Pythagoras replied to them that human life was similar to that festival in which they celebrated the games to which the Greeks attended. There, who had exercised their body went to look for the glory and the award of a famous crown, others, who had gone to buy or sell, were attracted by the desire of profit; but also there was a sort of visitors –particularly distinguished- who were not in search of being clapped nor of profits...In a similar way, men who reached this life after abandoning other life and other nature, are slaves of glory, others slaves of money, but there are a few who despise the rest and observe nature with great desire, these are the ones called “friends of wisdom”, that is to say “philosophers” (in García Romero 2003).

Author: Interesting, that is to say in the games the presence of several personalities was given with different motivations and not a few were trying to understand what happened here. I ask you then to consider for the analysis the environment of the games and its relation with knowledge. However, let us start to consider Maradona's games from the point of view of an athlete and if it exist knowledge on this.

Protagoras: Certainly, the art of sophistic was expressed by Iccos from Tarento at gym (in Plato, 399-389 B.C.E). Then while understanding the sophistic as an expression of knowledge (in Plato, 399-389 B.C.E.), we can see that the corporal expression is a way of knowledge and therefore Maradona represents knowledge in his game. In this case Maradona is dowries by a virtue and he expresses it with talent, only some are called to possess this virtue and the less for this demonstration of it (in Plato, 399-389 B.C.E.)

Socrates: Let us accept how Protagoras states that we are in presence of an art and knowledge. Let me ask you which kind of art and knowledge are we referring to?

Plato: Maradona's games do not constitute in themselves a science of the real thing, but of appearance of reality and, as such, do not contribute with necessary and absolute truths. Therefore, their materialization is in the command of "doxa" or opinion, which is the sensitive knowledge of the corporal things and its shadows and reflections (in Plato, 386-370 B.C.E.).

Author: It is possible that Maradona had expressed some grade of knowledge based on ideas.

Plato: You are referring to the Episteme, that is to say, the scientific knowledge of the reality. Where we find the diainoia or discursive reason of the mathematics and the nóesis or dialectic properly said, that it is the pure knowledge of the ideas. (in Plato, 386-370

B.C.E). In this case, it would be applicable if Maradona has been able to express ways, “ideas”, existing in the intelligent world and to be able to do reminiscence of them, bringing them to the real world in some way.

Author: Then, it would be possible if Maradona had remembered ideas expressed by him in his own games.

Maradona: Both games, were previously done. A similar goal with God’s hand, was marked by me playing in Nápoles against Udinese. With respect to the goal of history, an identical game I had carried out against the own England, in a friendly game, however the goal did not end; at the end of that match my brother recriminated me for not taking the arch away, thing that I did in Mexico.

Plato: Diego is a little more complex, while remembering a particular action which has already been executed in the past and to put in practice again does not place you in the ambit of episteme, but it is just the opposite, it reinforces its application, from a trained corporal practice which is found in the doxa concept (in Plato, 386-370 B.C.E.)

Socrates: Then any athletic expression, would be a doxa?

Plato: In the world of the corporal expression, it would be only possible to talk of a real scientific knowledge in the case that the existing ideas in the world could be represented in the real world in a reasoned way. Then, the problem would be to identify the judgment in the athletic expression. A point of interest is found by me in analyzing the metaphor given by Diego when he note down the goal with his hand and refers to “Maradona’s head and God’s Hand”, in this statement I can identify a judgment in the world of ideas.

Protagoras: Then, would it exist more knowledge in the final sentence than in the genius game carried out in that match?

Plato: Certainly.

Socrates: For Zeus, Plato is saying that there is more knowledge in a sophism than in the athletic demonstration.

Plato: Don't try to confuse me, dear Socrates. In a sophism itself there is no knowledge, but a judgment as a result of a construction from the world of ideas. In this case I refer to the construction made by Maradona to explain an unaccepted behavior in the logic of sport.

Meno: Undoubtedly, beyond Maradona's explanations, his athletic demonstration is the expression of a virtue. Then I ask you: Is this skill something that can be taught? Or does this come from practice? Was it given to Maradona by natural attitudes or by something else? (in Plato, 389-385 B.C.E.)

Author: The concept of virtue expressed by Meno, comes from the Greek *ring* that today we could understand as "excellence in a specific activity". Therefore, Maradona's virtue would be his excellence in soccer game. (in Plato, 389-385 B.C.E.)

Socrates : I can see that you have an allied in the author my dear Meno and you can anticipate my intentions of applying them. However, what summon us is to know if there is knowledge in this demonstration.

Author: It is far away from my intention to interrupt your analysis Socrates and it is certain how important is to analyze if there is knowledge or not.

Socrates: Let go back to the main question made by Meno, then if the virtue in Maradona was knowledge then as a consequence, can be taught. Maradona has led teams after his career as soccer player, in these; has he been able to teach his virtue to some of his students?

Author: Undoubtedly he has not done it.

Socrates: Could it exist better teacher than Maradona to teach this virtue? Does it mean then that it can't be taught, therefore this is not knowledge. Therefore, we can conclude from this judgment, Meno that the virtue comes from a gift given by God to those who possess it. But, we won't know the truth on this subject, but only before examining how virtue is found in men, we start finding out what is it in itself" (in Plato, 389-385 B.C.E.).

Author: Interesting, but let's go back a little bit. Protagoras, you have exposed a theory in this respect.

Protagoras: When I have stated that "The individual is the measurement of all things, of those who are in which they exist and those who are not in which they do not exist" (in Plato, 369-362 B.C.E), precisely I have referred that there is no objective truth, absolute and universal, but only relative and subjective truths depending on the perception of each person. Therefore, in Maradona's games, it will exist knowledge in the way each person perceives that there is.

Socrates: It is an honor to expose before me Protagoras something that in some occasion we analyze with Theaetetus. We ask ourselves "if the one who has learned something and keeps the memory of it, does not know it; and after having shown that when something has been seen and the eyes have been closed, we remember it even without seeing it, we have inferred, from here, that the same person does not know of what he remembers, which is impossible" this contradicts your opinion that the perception and knowledge or science are the same thing (in Plato, 369-362 B.C.E.). But it is not of my interest, to lose this occasion and I must ask you if is it possible that the same person who knows something, does not know what he knows?

Protagoras: According to reason, it seems impossible.

Socrates: If you make your own judgment on any object and you share with me your opinion, this opinion, according to Protagoras, will be true for you, “But will it be permitted for the rest to be judges of your judgment? Will we always judge that your opinions are true? Or rather, many people who have different opinions from yours, do not contradict themselves every day, imagining that you judge in the wrong way? (in Plato, 369-362 B.C.E.)

Protagoras: Oh dear Socrates, your analysis is correct as far as you have the same reference frame. However, what I mean is that if Meno says that there is knowledge in Maradona’s games, this will be valid from the relativity of Meno and at the same time Plato and many as he say that there is no knowledge in this, even when they contradict Meno, this will also be valid, but from the point of view of Plato’s relativity.

Socrates: But can we say that knowledge is a different thing than sensation. Then we will look for knowledge (science) not in the sensation, but in the name given to soul when it is considered the objects by itself (in Plato, 369-362 B.C.E.).

Theaetetus: Then it is a judgment. However, It is not possible, Socrates, to say that it is all type of judgment, since there are false ones; but I feel that real judgment is knowledge (science), together with explanation (in Plato, 369-362 B.C.E.).

Socrates: Now I must leave, but from Maradona’s knowledge, we can say that it is not a real judgment, or if it is, if one feels or know what one knows or does not feel to know what ones does not know. (in Plato, 369-362 B.C.E.)

Aristotle: Without abusing of your time dear Socrates, I would not omit the relation of knowledge with sensation, in my opinion knowledge is the terminology of an induction

or abstraction process starting from the sensitive factor, a process in which the materials existing in sensitiveness are elaborated by the synthetic activity of the mind in different levels or grades, every time more complex (in Aristotle, 335-322 B.C.E.).

Aristotle: Certainly, starting from the most basic one, which is the sensation or feeling that in essence is a way of knowing or of truth in the sense of Greek *aletheia*, which means patience or presence. When we feel, we already have the patience for something, and for this reason, and because all individuals love knowledge; experience or *empeiria* which is the accumulation of particular memories; art or *tékhnē* which is the practical knowledge on how to do something; here we would classify Maradona's knowledge, science or *epistēmē* which is the theoretic knowledge on the principles and reasons and finally of all categories, the highest is wisdom, which is about principles and reasons of all human beings (in Aristotle, 335-322 B.C.E.).

Socrates: But according to your classification, referring to Maradona, it could be *empeiria* that in a determined moment is brought to present through memories or reminiscence based on specific circumstances.

Aristotle: In this case we speak about *tékhnē* that is a superior knowledge of the mere experience, because while we know about a number of concrete cases by experience, by *tékhnē* we know all cases of the same phenomenon. Having Maradona been empiric, he would know that Peter Reid and Peter Beardsley, the British medium camper would try to detain him at the beginning of the game, because they have done it previously in this and in other games, even they defeated him, then they will try to elude him by touching the ball, however he as a possessor of *tékhnē* of soccer, he knows that in case his markers fail, he can impel a possibility of goal, even more, he knows how to make others fail. In

this case, he acts with knowledge and thus he knows, not of this or other case, but of all cases, for example, of all contention markers and reaches with it a universal knowledge that the empiric does not possess (in Aristotle, 335-322 B.C.E.).

