



Knowledge Partnerships with Equipment Suppliers

Ana Teresa Ribeiro Miranda

152110007

Sonae MC

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Advisor in Catolica-Lisbon SBE:

Prof. Paulo Cardoso do Amaral

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I dedicate this thesis to my brother:

João Pedro Miranda

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Abstract

Title: Knowledge Partnerships with Equipment Suppliers

Background: Knowledge partnerships are conducted based on a model of knowledge creation and management. SECI model, created by Nonaka and Toyama, helps firms to deal with the creation of new knowledge and helps in the transition between tacit and explicit knowledge (Nonaka, Toyama & Konno, 2000).

Purpose: The main aim of this work is for Sonae MC to be able to differentiate regarding its suppliers by being able to create knowledge partnerships.

Methods: The methodology used in this study starts with an analysis of the type of equipment demanded and which suppliers are the biggest, more flexible and more willing to cooperate. Then, after interviewing the suppliers, we are able to list the knowledge that they are looking for and create a possible knowledge management model, where both parts get involved.

Results: What the suppliers are looking for can be integrated on the knowledge creation spiral of Sonae MC. However, it has not been done until now due to confidentiality issues and the immense number of available competing suppliers that Sonae benefits from.

Conclusion: Throughout this analysis it can be seen that there is room to cooperate with the suppliers and to improve their services by involving them in the decision planning operations and by giving them access to non-public information.

Keywords: SECI model, knowledge management, partnership, equipment suppliers, knowledge creation

Resumo

Título: Parcerias de Conhecimento com Fornecedores de Equipamento

Introdução: Parcerias de conhecimento são criadas com base num modelo de criação e gestão de conhecimento. SECI Model foi criado por Nonaka e por Toyama, com o objetivo de funcionar como uma ferramenta de apoio em lidar com a criação de novo conhecimento e ajudar na transição entre o conhecimento tácito e explícito (Nonaka, Toyama & Konno, 2000).

Objetivo: O principal objetivo deste trabalho é de permitir à Sonae MC diferenciar em relação aos seus fornecedores através da criação de parcerias de conhecimento.

Métodos: A metodologia utilizada neste estudo começou com um estudo do tipo de equipamento que é procurado pela Sonae MC e identificar quais os fornecedores mais relevantes, mais flexíveis e com maior vontade de cooperar. Seguiu-se de entrevistas, onde se listou o tipo de conhecimento que estes estão à procura culminando assim na criação de um possível modelo de gestão de conhecimento, com o envolvimento de ambos.

Resultados: O conhecimento que os fornecedores estão à procura pode ser integrado na espiral de criação de conhecimento da Sonae MC. No entanto, tal não foi feito até agora devido a problemas de confidencialidade e devido aos benefícios que a Sonae MCV tem em lidar com fornecedores latamente competitivos.

Conclusão: Ao longo desta análise podemos ver que há espaço para uma cooperação com os fornecedores, seja envolvendo-os na formulação do plano das atividades anuais ou dando-lhes acesso a informações não-públicas.

Palavras-chave: modelo SECI, gestão de conhecimento, parceria, fornecedores de equipamentos, criação de conhecimento

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1 Introduction

This work has been developed in the context of an internship at Sonae MC , with a focus on the management of the equipment inside the Equipment and Construction Department.

According to Krugman (Krugman & Wells, 2004), there is a constant need of reducing costs in order to become attractive in the market while facing an increasing numbers of competition. Sonae MC is no different from the rest of the firms in the market and, as stated by Eng. Miguel Cardoso, Director of the Equipment and Construction Department (Sonae MC, 2012), it is now time to focus on reducing the costs on the areas that are not core to the firm, statement that is supported by years of practice and consequent knowledge from the group.

The Equipment Department of Sonae MC is responsible for all the equipment needed in the opening of new shops and in the improvement of the existing ones. It deals with the support equipment to the functions of the supermarket, such as the shelves or the tables. As this decision center is connected with all Sonae's national supermarket chains, like Continente, Modelo Continente, Continente Bom Dia, among others, it is responsible for the equipment supply of all of them. As the main objective is the satisfaction of the final customer (Mission Sonae MC, 2012), it is important to keep the shops' satisfaction rate as high as possible, as those are in direct contact with the public and a privileged means to convey the group's image. This department is also focused on the negotiation with the suppliers and the management of the budget.

To be able to face the constant demand, as quoted on the annual management report "Sonae keeps winning market share, with more than 1000 shops visited by 3,9 million weekly clients and more than 51 new retail shops in the international markets" (Management Report Sonae, 2010) as well as the high number of suppliers available, the equipment department has a support information system, which can be defined as a digital platform constructed to enhance the efficiency and the information management of a given department. The system used is SAP SRM (Supplier Relationship Management), where all the suppliers are listed according to their products and prices, in order for the managers to be able to control and make the most economical and fastest decision. In a nutshell, SAP SRM has the objective of managing equipment demands, to help the revenue management of the department as well as keeping track of the budget of the department.

Portugal is now facing a period of crisis (Passos Coelho, Jornal Sol in 19.fev.2012) which harms the level of negotiation with the suppliers (Eng. Paulo Palma, Responsible for the Equipment Department, Sonae MC, 2012) and forces Sonae to look for different and innovative ways of keeping current prices (Eng. Osvaldino Vieira, International Area and Project Development, Sonae MC, 2012).

Eng. Paulo Palma (Responsible for the Equipment Department, Sonae MC, 2012) stated that one possible way to reach this objective is by working together with the suppliers so that Sonae could help them to keep or lower their costs, mainly because the market is already very competitive and the suppliers are already offering competitive prices. This could be worked out by implementing a trustful partnership, a partner relation, with specific suppliers, which would contribute for the supplier to benefit from the knowledge of Sonae, by having access to non-public information, and in return as they become differentiated, their bargaining power will increase which could generate benefits when facing their other clients.

An assumption to reach the objective of creating partnerships, in the most efficient way, is by providing knowledge that could benefit the suppliers in their value chain, and Sonae differentiating their suppliers pool in order to improve their selection and contact to see how can the knowledge of Sonae MC help benefit the performance of its suppliers. Consequently, having a direct influence on this process with either implementing a new method of production or a new characteristic in a product (having always in mind that this are support equipment to the functions of the supermarket), the supplier could win a strategic advantage controlled by Sonae MC, by benefiting from non-public information from a major client in the retail market (Management Report Sonae, 2010) and become more competitive in its area, as it will know in a better way how to deal with each type of supplier of Sonae MC.

The research question of this dissertation is thus the following: **Can Sonae MC differentiate regarding its suppliers by creating knowledge partnerships with them?**

This dissertation is developed as in a way to assess the possibility of implementing a new approach on the way to work/contact with the suppliers in the Equipment and Construction Direction of Sonae MC, by constructing a model that represents this flow. With this model, SONAE may create space to initiate an exchange of knowledge with the objective of differentiation regarding the suppliers that are in constant contact with the equipment department of this company (and only these).

The methodology of this dissertation starts with an analysis of all the different types of equipment that Sonae MC demands to support its supermarket operations, as well as the type of suppliers that are most valuable to the equipment department. This is done in order to evaluate which suppliers present the highest potential in the point of view of Sonae MC managers, who have been working with them in the long run, to work together with Sonae MC in order to understand how working together can bring benefits for their production and positioning in the market.

The criteria for choosing the suppliers is their perceived flexibility and if they are able to answer to new product requests or improve the existing ones, by having their own production line, in order to face the requisites of becoming more innovative and answer the requests of the innovation department of the SONAE group.

In a second step, interviews/analysis are conducted with key suppliers, to collect valuable information in pinpointing what type of knowledge can benefit their services and products, and why, in order to confirm that in fact there is space for differentiating and that the knowledge has the objective that Sonae MC has in mind of improving their negotiations and services of the equipment department. This knowledge should contribute to differentiate regarding the suppliers that are in constant contact with the equipment department.

The work undertaken in this study is the base for an elaboration of a differentiation plan, where suppliers are dealt with, based on their objectives and characteristics, and to construct a possible knowledge management model that serves as a proposition for a new focus area of this department of Sonae MC. This model should represent the key factors that both, Sonae and the suppliers, believe are the most important ones and that gives Sonae new knowledge in order to improve the negotiation process when dealing with the suppliers, to come up with a possible relation of knowledge sharing made from the knowledge management model.

This dissertation is organized in the following chapters: 2 – literature review, where the theory behind this study is presented as well as models of knowledge management; 3 – Methodology – the study of the suppliers and Sonae MC; 4 – construction of the model; and 5 – conclusions.

2 Knowledge Management

To focus more on the topic in study, it is important to know the theories behind this management technique. It is said that the modern world is known as a “knowledge-based society” where knowledge represents the highest level of power and of decision making in it (Toffler, 1990). Something that is directly linked with the activities of a firm and that has already been considered as the most important asset of a company’s strategic and sustainable advantages (Cyert, Kumar & Williams, 1993).

Due to the complexity of this “knowledge”, as it is created through social interactions (Nonaka, Toyama & Konno, 2000) and as it depends on the time and on the space where it is created/shared (Hayek, 1945); there was an urge to create a way to manage it.

Knowledge Management can then be defined as “the discipline of enabling individuals, teams and entire organizations to collectively and systematically create, share and apply knowledge, to better achieve their objectives” (Ron Young, CEO/CKO Knowledge Associates International).

The notion and impact of knowledge management has been gaining importance, and nowadays it is already common that large companies and even non-profit organizations dedicate part of their resources to knowledge management efforts and studies, being usually part of their business strategy, information technology and/or human resource management areas (Addicott, McGivern & Ferlie, 2006).

In order to manage this knowledge it is essential that there is space inside a firm to create it. Knowledge creation has been already studied and formalized by Nonaka and Takeuchi in 1995 who created a model - SECI model (Nonaka & Takeuchi, 1995). Later, it has been improved with the concept of “Ba” (Nonaka & Konno, 1998), and shortly after with the introduction of knowledge assets in 2000 by Nonaka, Toyama and Konno.

2.1 Types of Knowledge (tacit & explicit)

There are two types of knowledge that teams in companies have to deal on a daily basis and, in order to be able to implement any knowledge management model, it is important to have them separated and well defined. These are tacit and explicit knowledge.

Explicit knowledge can be defined as being formal and systematic (Nonaka, 1991; Nonaka, Toyama & Konno, 2000). It is easy to share between two people or even in the international field as it can take the form of a scientific formula (Nonaka, 1991; Nonaka & Konno, 1998),

manuals (Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000) or anything with words and numbers (Nonaka & Konno, 1998).

Tacit knowledge, on the other hand, is hard to share as it is extremely difficult to formalize (Nonaka, 1991; Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000). This knowledge is ingrained to the individual from its daily actions and experiences that constitute the values and ideals of each one (Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000).

Tacit knowledge can be subdivided into two dimensions: the technical, normally referred as “know-how” and the cognitive, which is more related with the values and the ideals of each individual (Nonaka & Konno, 1998).

The separation and definition of the types of knowledge makes the implementation of the management techniques inside a firm easier and understandable to trigger the process of knowledge creation.

2.2 Knowledge Creation

Knowledge creation is achieved through a constant interface between explicit and tacit knowledge (Nonaka & Konno, 1998). Companies, in order to take advantage of all the possible potential are constantly focusing in generating new knowledge to implement it in their technologies, products and services so that they can become more effective facing competition (Nonaka, 1991).

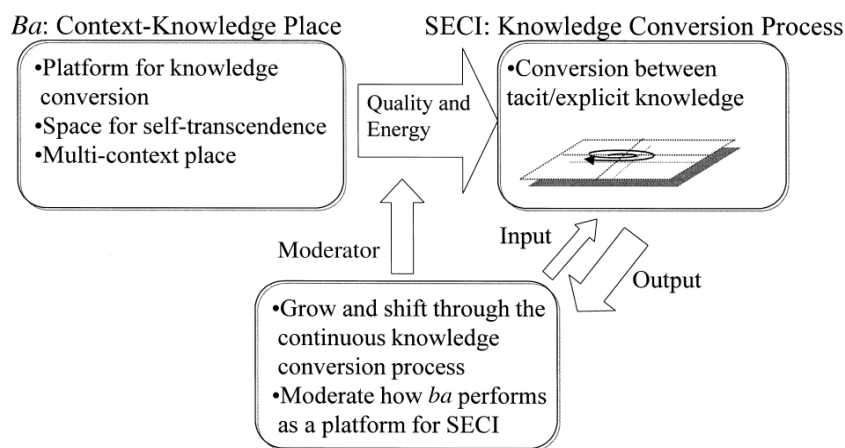


Figure 1 - Elements of the knowledge-creating process (Nonaka, Toyama & Konno, 2000)

The process of knowledge creation is in constant evolution so that, step by step, each one is able to identify the problem, the solution and be able to generate new knowledge out of it (Nonaka, Toyama & Konno, 2000).

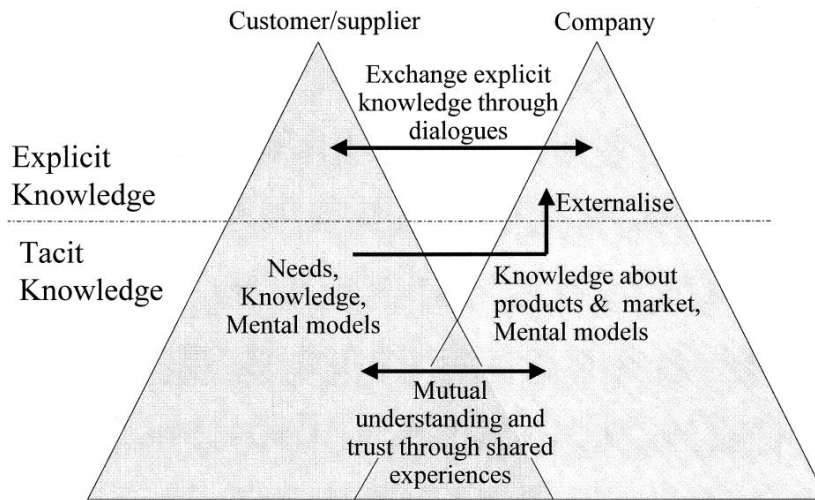


Figure 2 - Creating knowledge with outside constituents (Nonaka, Toyama & Konno, 2000)

2.2.1 SECI Model

Due to the need of managing knowledge that firms are starting to feel more and more frequently, a model has been created that helps companies to manage the creation of new knowledge by steps through a soft transition between tacit and explicit knowledge (Nonaka, Toyama & Konno, 2000).

Socialization

Socialization is the first step in the creation of new knowledge. It starts with the sharing of tacit knowledge among individuals (Nonaka, 1991; Nonaka & Konno, 1998) and by sharing past experiences (Nonaka, Toyama & Konno, 2000). This sharing can occur by being together or living in the same environment instead of simply receiving verbal instructions (Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000) as it implies a physical proximity (Nonaka & Konno, 1998).

This socialization can happen inside or outside the company frontier (Nonaka, Toyama & Konno, 2000).

Externalization

This second step is where the tacit knowledge is transformed into explicit knowledge (Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000) and it is said that through this step the

knowledge is crystallized (Nonaka, Toyama & Konno, 2000). The tacit knowledge, the personal characteristics of the method of someone for example (Nonaka & Konno, 1998), is then translated into forms that are easily understandable (Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000) and that can be communicated to all the members/employees (Nonaka, 1991).

There are two factors that sustain this transition in the model (Nonaka & Konno, 1998). The articulation of the tacit knowledge that is the conversion of this into understandable forms; and the translation of the knowledge of the customers and of the experts into the same format (Nonaka & Konno, 1998).

The success of this step depends on a sequence of actions namely metaphor, analogy and model (Nonaka, Toyama & Konno, 2000):

Metaphor, analogy and model concepts

This sequence of actions starts with a first perception of what the tacit knowledge really is about (Nonaka, 1991). It is when a group of people get together to try to understand a situation or a problem based uniquely on their experience and background (Nonaka, 1991). This process has the objective of activating the knowledge creation process that is followed by the analogy stage (Nonaka, 1991).

Analogy is the stage that leads the process from the imagination stage until the logical thinking one (Nonaka, 1991) being a time to structure the ideas and make sure all the ideas are organized and well defined (Nonaka, 1991).

Finally the objective is to come up with a model, where all the contradictions and milestones are overcome in order to construct a logical and universally understandable form (Nonaka, 1991).

To sum up, the externalized stage starts by putting all ideas together during metaphor, followed by an enumeration and explanation of all the contradictions in analogy, and lastly the knowledge is crystallized to create a model that makes the knowledge available to everyone (Nonaka, 1991).

Combination

The combination stage does not expand the firm's knowledge (Nonaka, 1991) but it transforms the existing one into a more complex, systematic and explicit knowledge (Nonaka, 1991; Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000).

This stage has three distinct processes (Nonaka & Konno, 1998). Firstly the new explicit knowledge is gathered after the crystallization; then it is separated and constructed in forms of presentations or rules; and third it is edited in a more friendly-user way (Nonaka & Konno, 1998).

In this stage it can also occur the “breakdown” of some concepts (Nonaka, Toyama & Konno, 2000).

Internalization

Regarding the fourth stage of the SECI model, internalization, it happens when all the explicit knowledge constructed and elaborated is converted into tacit knowledge of the employees of the organization (Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000). It happens due to the constant sharing of the explicit knowledge and its practical influence that with experience starts to be embodied in each one of them and becomes tacit knowledge of them (Nonaka, 1991).

It has two distinct dimensions: first the introduction of the new explicit knowledge in the processes and secondly introducing the “learning by doing” where this knowledge gets embodied to each one (Nonaka & Konno, 1998). After this, knowledge gets gathered at the individual level it opens space for a new spiral of the knowledge creation process on the socialization stage (Nonaka, Toyama & Konno, 2000).

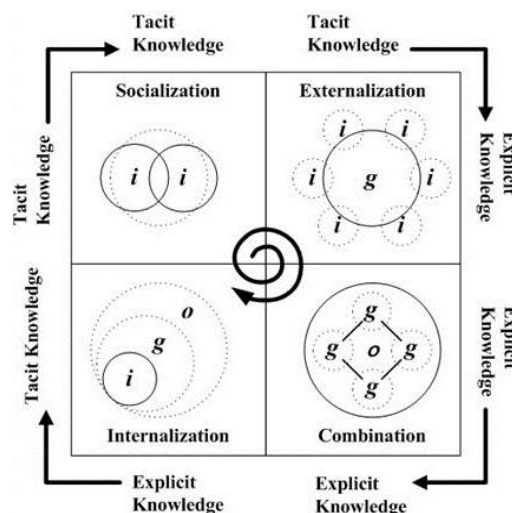


Figure 3 - Spiral evolution of Knowledge Conversion and Self-transcending Process (Nonaka & Konno, 1998)

The SECI Model show us the evolution of knowledge inside a firm, as it is a dynamic process where both tacit and explicit knowledge are transformed and shared from the individual level

until organizational level (Nonaka, Toyama & Konno, 2000). This process can be improved with the introduction of the notion of space (see “Ba” concept).

2.2.2 “Ba” Concept

Ba is a place where information is transformed and developed to become knowledge through self-transcendence (Nonaka, Toyama & Konno, 2000), which makes the individual move beyond its prior limitations (Nonaka & Konno, 1998).

This place can be virtual (technologies), physical (office), and mental (ideals) or all together since that it is related with the knowledge creation concept (Nonaka & Konno, 1998).

As mentioned before, knowledge is the result of interactions between individuals and the different stages of their knowledge. BA is the situation in where those interactions take place and how they grow during it to achieve the desired level of knowledge (figure 4) (Nonaka, Toyama & Konno, 2000).

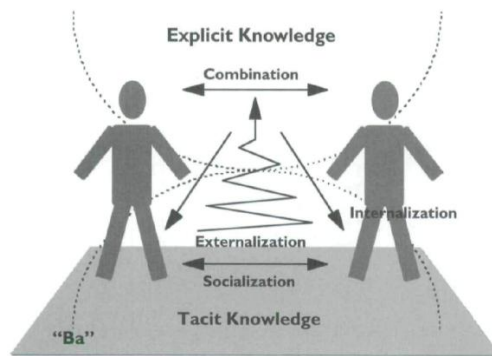


Figure 4 - Ba and Knowledge Conversion (Nonaka & Konno, 1998)

The Ba concept was created to work as a kind of support platform to each stage of the SECI model (Nonaka & Konno, 1998):

Originating Ba

The first platform is where individuals share their experiences in a face-to-face space (Nonaka & Konno, 1998), in order to be able to share and understand all the reaction and actions, which are important features regarding the understanding of tacit knowledge (Nonaka, Toyama & Konno, 2000).

Interacting (dialoguing) Ba

Representing the externalization stage (Nonaka & Konno, 1998) and through the face-to-face interactions (Nonaka, Toyama & Konno, 2000), the skills are transformed in terms and models

easily understandable (Nonaka & Konno, 1998). From self-reflection the knowledge starts to be articulated into an explicit one (Nonaka, Toyama & Konno, 2000).

Cyber (systemizing) Ba

This stage is more related with the virtual world as it is friendlier to the user when dealing with explicit knowledge (Nonaka & Konno, 1998). Not to mention the fact that in order to reach the biggest number of people, it is more efficient in a written form (Nonaka, Toyama & Konno, 2000).

Exercising Ba

The exercising Ba facilitates the transformation of explicit to tacit knowledge (Nonaka & Konno, 1998). As it is held at an individual and virtual level, where each one acquires the explicit knowledge and uses virtual media to share what is acquired, like simulations and manuals (Nonaka, Toyama & Konno, 2000).

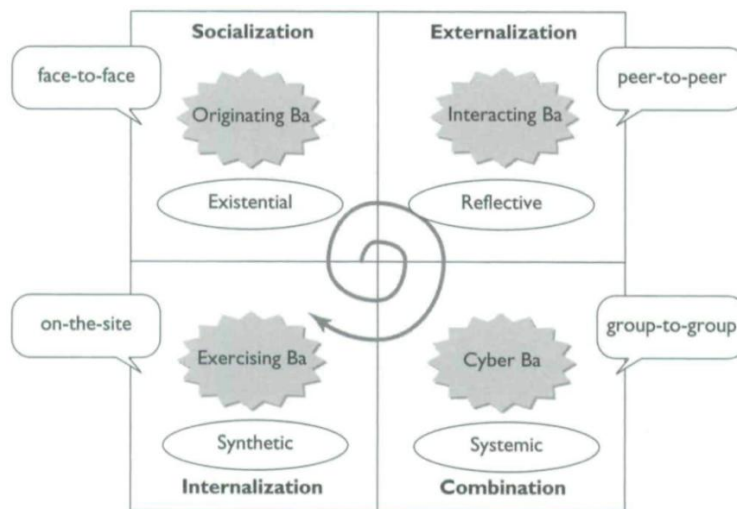


Figure 5 - The four characteristics of Ba (Nonaka & Konno, 1998)

Top management teams should always be aware of the constant necessities that a process of knowledge creation has (Nonaka & Konno, 1998). And regarding the organizations ba, it is not simply an accumulation of information, but a constant evolution of transferences from tacit to explicit knowledge and vice versa (Nonaka & Konno, 1998). Measures of support to knowledge models should come from all the members of a firm (Nonaka & Konno, 1998).

2.2.3 Knowledge Assets

Knowledge assets are defined as the inputs and outputs of the process of creating knowledge (Nonaka, Toyama & Konno, 2000). They are the resources that are transferred from stage to

stage and that trigger each stage (Nonaka, Toyama & Konno, 2000). These assets are merely used internally and are in constant evolution due to their use (Nonaka, Toyama & Konno, 2000). So they can take different formats, categorized as follows:

Experimental Knowledge Assets

Experimental knowledge assets are the ones exchanged at the first stage of the knowledge creating process as it is a “fruit” from sharing tacit knowledge (Nonaka, Toyama & Konno, 2000). This information is merely a sample of what will be shared and implemented. This nature is what makes the knowledge experimental and due to it, it is very difficult to evaluate and trade, which represents the first step into building a sustainable competitive advantage to the organization (Nonaka, Toyama & Konno, 2000).

Conceptual Knowledge Assets

Conceptual knowledge assets represent an evolution from the experimental ones, since they are already easily perceivable through images and symbols (Nonaka, Toyama & Konno, 2000). Even though there is an evolution, it is still hard to seize what clients and employees or top management teams perceive and know exactly do they do it (Nonaka, Toyama & Konno, 2000).

Systemic Knowledge Assets

These knowledge assets are an evolution from the conceptual ones in a way that are a consistent “package” of explicit knowledge (Nonaka, Toyama & Konno, 2000). It can be easily transferred and understood in a form of manuals, documents and/or technologies (Nonaka, Toyama & Konno, 2000).

Routine Knowledge Assets

Routine knowledge assets are the tacit knowledge that is already inherent to the routines of the employees of the firm (Nonaka, Toyama & Konno, 2000). They are usually the most practical form of knowledge that can be found inside an organization (Nonaka, Toyama & Konno, 2000).

<p>Experiential Knowledge Assets</p> <p>Tacit knowledge shared through common experiences</p> <ul style="list-style-type: none"> • Skills and know-how of individuals • Care, love, trust, and security • Energy, passion, and tension 	<p>Conceptual Knowledge Assets</p> <p>Explicit knowledge articulated through images, symbols, and language</p> <ul style="list-style-type: none"> • Product concepts • Design • Brand equity
<p>Routine Knowledge Assets</p> <p>Tacit knowledge routinised and embedded in actions and practices</p> <ul style="list-style-type: none"> • Know-how in daily operations • Organisational routines • Organisational culture 	<p>Systemic Knowledge Assets</p> <p>Systemised and packaged explicit knowledge</p> <ul style="list-style-type: none"> • Documents, specifications, manuals • Database • Patents and licenses

Figure 6 - Knowledge Assets (Nonaka, Toyama & Konno, 2000)

Mapping Knowledge Assets

These types of knowledge represent the different types of categories that are transferred during the SECI model (Nonaka, Toyama & Konno, 2000).

Inside the knowledge creation process there can be different models, different places and different types of knowledge that evolve and are needed in order to achieve the final goal (Nonaka, Toyama & Konno, 2000). All these elements should be managed under clear and fair leadership so that this process can be constantly amplified and dynamic (Nonaka, Toyama & Konno, 2000).

I will now focus on different techniques on how this process can be implemented and managed.

2.3 Strategies and instruments for implementation of Knowledge Management

The knowledge creating process, in all its stages, cannot be managed with a “traditional” management and broad technique due to its current flow of information and complexity (Krogh, Nonaka & Ichijo, 1997). Normally, the implementation process starts with the creation of a vision that is expected to lead the group into the development and promotion of the knowledge assets, and finally contributes to the ongoing spiral of the knowledge creation process (Nonaka, Toyama & Konno, 2000).

So, to implement a process, normally a knowledge assets inventory is done in order to be the base of the strategy of the top management team, so that it can be kept effectively and efficiently (Nonaka, Toyama & Konno, 2000).

The continuation of the process does not have a pre-defined path, but usually there are tendencies and methods that are implemented inside the organizations that help the evolution of the process (Nonaka, 1991; Nonaka, Toyama & Konno, 2000).

For example, the implementation of redundancy, which triggers the constant dialogue and communication, is an excellent method to force the sharing of tacit knowledge among employees (Nonaka, 1991; Nonaka, Toyama & Konno, 2000). This is mainly achieved due to the sharing of responsibilities and through the constant understanding of what is happening around the employees that in the end control their direction and way of thinking (Nonaka, 1991; Nonaka, Toyama & Konno, 2000).

The second step comes from the fact that individuals do not receive new knowledge in a passive way, they interpret it and implement it on their own way depending on the situation and on the goal they have in mind (Nonaka, 1991). At the same time, senior managers are expected to orient the activities of the knowledge creation process, by articulating the “company’s conceptual umbrella” (Nonaka, 1991), defined as the main concepts that link the different activities in order to fit the businesses in a coherent group (Nonaka, 1991).

In addition with this function, what top management teams can do best is clear any milestones that can appear and prepare the organization to walk in a direction of constant knowledge sharing and create space for discussion and different interpretations (Nonaka, 1991).

It is also important to refer that in a knowledge-creating firm, measures like ROI and efficiency level are not the only ones that managers look for. They are focusing on more qualitative factors such as if the idea represents the company’s vision or if it is in line with the top management strategy and goals (Nonaka, 1991).

Regarding the implementation of the Ba concept, what can be made is creating physical space, as rooms, to give space for meetings, create a brainstorm network online or even put everyone on the same working page with common goals. A practical example would be a creation of task forces on the international level (Nonaka, Toyama & Konno, 2000).

This theory gives a base for the analysis that is done on Sonae MC and more specifically on the equipment department. It is analyzed how the department is organized, how is the knowledge managed and how is it used to contact with the equipment suppliers.

3 Sonae MC, Equipment Products and its suppliers

This chapter starts with the description of SONAE Group, the department of Sonae MC, its focus and how it is organized. The second step is an introduction to the main suppliers chosen and their characteristics. In a third part, interviews are conducted in order to know what type of knowledge they are looking for in Sonae MC. And to finish this chapter, there is a sum up of all the knowledge that is looked for by both parties and what type of knowledge do they actually have.

3.1 SONAE Group

SONAE - “Sociedade Nacional de Estratificados” - began operations in the 60s with a single business area which was focused on the production of laminates. After solidifying its position, the company started expanding vertically by opening a chemical industry.

In the 80s Sonae took the decision to diversify into new businesses by acquisitions, opening the first hypermarket in Portugal and creating Sonae Distribuição as a joint venture with Promodés. During the following years, a number of other companies were launched such as, Sonae SGPS, Sonae MC, Sonae Imobiliária business, Ibersol and the first shopping centres. The 90s were dedicated to developing strategic businesses and expand into the telecommunication sector. Brands such as Optimus, Continente, Modalfa, Worten and Vobis were successfully launched. Sonae was at this time the first Portuguese company in the WBCSD (World Business Council for Sustainable Development).

In the beginning of the 2000’s the international growth started with the expansion of Sonae Sierra in Italy and Germany and Sonae Industria to South Africa. Also, new brands like Zippy, Clix and Book were launched. Sonae also acquired the chain of Carrefour Portugal.

A few years later, there was a need of reorganizing the business areas into: Modelo Continete; Sonae Retalho Especializado (Sonae Non Food Retail) and Imobiliário de Retalho (Retail Real Estate). Nowadays the focus on the international market continues with special attention to Spain where 46 new shops are planned to be open in the near future.

Sonae’s mission is to create social and economic value on a long term perspective, in order to take the benefits of progress and innovation to a higher number of people. It is run based on values, like ethics and trust, people in the centre of the company success, ambition, innovation, social responsibility, frugality, efficiency, and cooperation and independence.

Sonae group is now divided in several areas, being the core businesses Sonae MC and Sonae SR; the core partnerships Sonae Sierra and Sonae Com, the related business Sonae RP, and an action on the area of active investment.

The main achievements of 2011 were an increase in the market share on the core businesses, the expansion of the group to another five countries, raising the business volume to 5,7 billion Euros with an EBITDA margin of 11,5%. The net result was about 139 million Euros and the financial debt was reduced by 147 million Euros.

The focus of this dissertation is on Sonae MC, which is responsible for the food retailing area and that has been the first to introduce the hypermarket concept in the country in 1985. Nowadays it is the leader of the Portuguese food retail market due not only to the competitive prices but also due to its enormous offer variety.

The area in focus is the equipment and construction department that is focused in developing, negotiating and buying the equipment needed to open and/or refurbish Sonae MC stores. The daily activities of this department fall into the evaluation, management and negotiation with the suppliers in order to meet the requirements made by the group.

For 2012 the plan of this department includes:

- the opening of 25 new shops;
- the improvement of 23 shops;
- small interventions in 146 shops;
- dealing with the current purchases of the existing 429 shops.

It is important to bear in mind that this department is a support activity to the retail business. It provides the equipment that is needed to keep a supermarket opened, the material that is not sold to the final client, such as the shelves, the fridges, the lamps, the ovens, the knives, the scales, among others.

This dissertation is focused in this department mainly because in the retail business there is already intense competition and companies are constantly struggling to lower their prices to become more attractive. One way that was thought to have potential was, as already said, to focus on the support activities of the retail business in order to see if there is any hidden potential.

3.2 Equipment Department

The equipment area is divided into four sub parts depending on the purpose and nature of the products:

- Cold equipment – all the equipment needed to keep the food frozen when in contact with the final customer, e.g. freezers and refrigerated cabinets;
- Image equipment – the support equipment for the brand image, e.g. placard, material of the letters and of the publicity signals inside and outside the shops;
- Exposure equipment – the equipment that supports the exposition of the products being sold, e.g. shelves, cabinets, islands;
- Fresh equipment – the ones used to provide the “made-in-shop” products, such as the bread or the meat that is cut at the moment, e.g. ovens and cutlery.

3.3 Equipment Department Operations

All the equipment department managers work together with different kinds of suppliers. However, the approach and the objectives of the negotiation are common to all of them.

The operations of this equipment department start with the elaboration of an annual plan, where the renovations and the new openings that will occur during the working year are established. With this, each manager has its own plan and timetable to know when is the equipment going to be needed and where, and with this information available and confirmed they have the tools to start the negotiation process with the suppliers.

The database and program used is the SAP SRM (Supplier Relationship Management), as explained before, where the managers have inserted all the suppliers that they can count on with their characteristics, products and prices. This platform helps managing the daily demands of the shops as well as the new orders for the new openings and renovations and to keep track of the budget, the contacts and orders made.

The managers negotiate prices and conditions with the suppliers in order to get the best relation between quality, price and time regarding each piece of equipment needed in each shop. After this step, the supplier already knows what is expected from him, for that specific shop, and all the requests are processed by SRM without the need of negotiation involved.

Going now into more detail in each area, starting with **cold equipment**, the negotiation is done through an intermediary that belongs to Sonae SGPS. This firm is responsible for the negotiation with the suppliers and comes up with the best deal, having the manager of Sonae

MC the responsibility to identify the necessities and what type of product would be best for each situation and each shop.

In the **image equipment**, the knowledge creation and the activities are different, as there is the need of high levels of cooperation between Sonae and its suppliers, due to the constant evolution of materials and marketing techniques that are used. This cooperation need comes up because suppliers are more familiar with the evolution of the materials and their uses so their suggestions and recommendations are essential whenever the marketing department of Sonae MC decides to launch a new project. Regarding the **exposure and fresh equipment** areas, the process is very similar to both of them, being that when the plan is defined with the necessities of the year, a tender is brought up where the best offer from the suppliers will win. And after that, the parameters are established and the demand and supply is done over the year (depending on the purpose of each one).

In these last two areas, there can be space for the introduction of partnerships with the suppliers mainly because of the fact that Sonae allocates a large share of its budget to innovation (Relatório de Actividade de Inovação da Sonae 2010) and normally these areas are the ones where the outcomes are

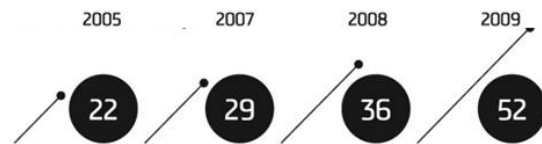


Figure 7 - Investments in I&D and Innovation (million) (Relatório de Actividade de Inovação da Sonae 2010)

more present, either through a new way to present or organize products in a supermarket or through the provision of a new product, like fresh-baked bread (Relatório de Actividade de Inovação da Sonae 2010).

3.4 Key Suppliers

An assumption for this section is that the term key suppliers is not defined as those who are essential and more relevant for the operations of the equipment department, but the suppliers that have the potential to work together with Sonae MC in a possible knowledge partnership.

One fundamental requisite for these suppliers is that they have their own production line, in order to be able to change and adapt it with an instant profit without having to do major investments or look to outsource some parts every time there is the need to respond to a different need/product. This was already put into prove when lots of projects were usually declined by the smaller suppliers because the amount of products needed did not compensate

the investment of constructing an entire production line for it (Mr. Alberto Rodrigues, Manager of the fresh equipment area, Sonae MC, 2012).

In addition, as Robert Buckman, Vice-president of the International Buckman Laboratories Inc, believes, to become an example of leadership through the organization interaction, it is essential to communicate what we have as an objective and what is expected from each one. So, to conduct the construction of this model, interviews were made to know how the communication flow worked out between the two parties (Sonae MC and the suppliers) that contributed or can contribute to a better level of relation and cooperation between each other.

The suppliers were chosen based on their willingness to cooperate with Sonae MC, in a sense of being available and open to suggestions and prepared to adapt their products to specific characteristics that Sonae MC might have the need. Were then chosen two or three suppliers from each area of the equipment department:

3.4.1 Ramalhos SA

Ramalhos is a Portuguese company, created in 1967, being at that time a simple business craft. With the growth of the market, Ramalhos SA started to be known by its quality, effectiveness and success that forced an expansion of its facilities to an international level, reinforcing its resources. It is their constant investment on “Innovating for Leadership” that has helped them construct a modern and hi-tech production line and to receive certification in order to be able to face the increasingly competitive market.

Nowadays Ramalhos SA is known by its constant focus on the client, as it is recognized that their greatest asset is that all the actions are centralized in meeting Sonae’s needs. Its core business is the baking ovens and the heat/moisture chamber, equipments, which are essential to a supermarket with the level of Sonae MC.

The contact with Sonae MC is made with the fresh equipment department, where the contacts and the types of products used in the normal Continente shops are already established. The demands are usually made through SAP SRM because at this stage the products are already defined. However, with the constant investment in innovation made by the group aligned with the fact that the supermarket concept and consequently the way costumers see it is now being renovated, new needs towards the suppliers have appeared. The ovens have been one of the products that were under focus in order to deliver the best just-done products to the clients. With this in mind and due to the characteristics referred above, the managers look forward to

create a relation of knowledge sharing with the suppliers and Ramalhos has all they are looking for.

Therefore, with the knowledge that Ramalhos already has, aligned with the necessity that Continente has now, and the knowledge it has on what would be the best and most functional product to best serve the customers, specific ovens have been created that are originated from this knowledge sharing.

With this opportunity of working together, Continente was able to fulfil its necessities and Ramalhos benefitted with a new product for its catalogue.

3.4.2 Acrimolde

Acrimolde has more than 25 years of experience in the acrylic market, modelling each product to the imagination and need of each project. It helps to develop each product or even to design it according to the client's wishes. Acrimolde uses the more recent techniques of acrylic transformation having the latest technology and a specialized labour force working to achieve quality in all the production process. It is focused in different areas, such as communication (design, marketing and publicity), industry (food, pharmaceutical and photography), retail (small and big shops), hospitality (hotels and restaurants) and services (banks, insurance and real estate).

The connection with Sonae MC is made through the image department, where Acrimolde products are used specially to support the advertisements that are shown in the supermarkets. The placards and the supports of all the prices or promotions need to be designed and planned, and Continente counts with companies such as Acrimolde to provide the best solutions to face necessities that sometimes might look irrelevant, but need to be functional and reach the eye of the customer.

3.4.3 Movecho & Yudigar

Movecho is a luso-swiss company with headquarters in Portugal since 1989. It is nowadays in Nelas with an industrial unit of 12.000m² with around 120 workers in different areas such as product development, design, manufacture, commercialization and installation. Throughout time, Movecho always struggled to evolve not only in optimizing the industry but also its strategy, having started to export and to reach a sustained level of production. Nowadays they are known by its excellence, quality and versatility, and getting its certification has proved their commitment towards their products and their sustainability.

Yudigar is a member of the HMY Group which is recognised as an international leader in the retail equipment and manufacturing market, having the mission to be the first choice in the global shop fitting, creating value for all their shareholders, always trying to improve the shopping experience by investing in innovative products services and solutions. Yudigar offers the complete service regarding the characteristics of each client or space being able to work with products since their design until their maintenance in the shop. They are also focused on maximizing the use of space being to expose multiple products in one area.

These are the characteristics that describe the relationship that Movecho & Yudigar keeps with Sonae MC. Every time the exposure equipment area is faced with a new challenge Sonae MC looks for companies like this one.



Figure 8 - Movecho (website)



Figure 9 - Yudigar (Website)

With the constant innovation and the fact that Sonae MC is trying to renew the concept of supermarket, by creating distinct areas with different shopping experiences, there is a great investment on the creativity of the furniture and how to organize the available space.

Once more, the success of these projects comes from the alliance between the necessity and ideas of Sonae MC with the knowledge area of the suppliers. This way, Sonae MC benefits from the fact that it has an answer to its needs and the suppliers are left with a new range of ideas and products to better position themselves in the market

3.4.4 Kinasmart

Kinasmart is in the manufacturing sector with a focus on the mechanic locks and repair of machines. Even though it is a very versatile company it quite small, so the relation with Sonae MC is restricted to smaller projects that are needed as well. Like for the smaller shops, although the exhibitors are smaller, the experience and the image that Sonae MC is looking for has to be the same, so Kinasmart represents an example of the types of suppliers that are needed for these specific areas.

The basis of the relationship with this firm is in line with the previous ones in the sense that Sonae MC depends on the knowledge of Kinasmart to face its problems and needs and Kinasmart benefits by getting to know what are the necessities that are felt in this market and how it is going to evolve.

3.4.5 Plexo – Representações SA & RSE – Gestão Suporte Publicitários, Lda

Plexo is focused on wholesale and retail market providing support materials for advertisements and RSE. It is part of the metal group that was founded in 1978, APAMETAL, and it is focused on the implementation of corporate images of their clients, and are distinguished by their products' quality, their personalized service and competitive prices. RSE is focused on signage and decoration of commercial spaces, offering, together with rest of the group, global unique solutions to the national market.

These two firms represent a high value towards Sonae MC activities as they hold a position of recommending what is the best way, material or product to use when facing the different challenges and necessities that this area constantly face. While doing this, the suppliers gain more awareness of where this market is heading and can better adapt themselves to the upcoming requests.



Figure 10- Continente Letters

3.4.6 Selfrio SGPS

Selfrio SGPS is 70% part of Spred, which in its turn is controlled by the Sonae Group, aggregating the holdings that are related with engineering projects and commercial refrigeration. Because it is part of the Sonae Group, it works directly with Sonae MC in supplying the cold equipment area. It does the work on contacting the best suppliers and the best solutions to satisfy this area.

As mentioned above, Selfrio has the work of getting the best deals and to try to always keep up with the new needs felt in the area, so that the presentation of the products could always be the best as long as it keeps them fresh and conserved for the clients.

With the analysis of each supplier in focus, the objective now is to understand what each of them is looking for and in what ways can they reach that specific knowledge. This is the goal of the following sections.

4 Suppliers Knowledge analysis

The methodology of this dissertation starts with an analysis of the equipment that is dealt with by Sonae MC and what are the major suppliers of each specific area. In each of these areas, there are several suppliers and the ones chosen to take part in this study were identified by the managers of each area. These are deemed to be the ones more willing to collaborate with Sonae MC and the ones that are more versatile and constantly looking for new innovative ways of delivering their services. The term equipment refers to everything that supports the main activity of the retail market, consisting of all the pieces of equipment that the final customer does not buy in a shop.

This first analysis has the objective to analyse the areas that can be of interest for both parties to work together and collaborate in order to improve the activities and responsibilities of them both.

The following interviews were conducted next to previously selected suppliers. The objective is to know what they are looking for in Sonae MC, the knowledge that would benefit their operations, in providing a better service or better products. This confirms and contributes to differentiate the services regarding the suppliers that are in constant contact with this department of Sonae MC, mainly because it shows us that the suppliers look for different kinds of information and are willing to work together with its major client.

These topics are then individually analysed to understand how is the knowledge created, how can the supplier have access to a specific knowledge and, the objective of working together, what will be the consequences for both parties if the suppliers get involved in the operations flow of Sonae MC.

The above mentioned analysis is the base to elaborate the model where the different stages of the evolution of knowledge of the equipment department of Sonae MC can be identified and that will serve as a proposition for a focus area in this department. This model identifies the key knowledge of both suppliers and Sonae MC: knowledge that contribute for an improvement on the negotiation with the suppliers and that open a new way of differentiating their services and improving their relationship.

. The interviews were either made in person or by email, depending on the availability of each supplier. Regardless of the different methods used, a single question was made: **What kind of information/knowledge (from Sonae) would benefit your company?** In order to know, from

their point of view, what they know, how do they look at a client like Sonae and what could improve their services.

With the help of each manager, it was possible to be in contact with the suppliers that were previously selected. This contact was mainly done by the managers, and depending on the different relation that each one had with its suppliers. Each supplier identified two or three topics of knowledge, an example of a “written” interview can be found in Appendix 1:

Ramalhos SA looks for:

- New ideas for new products;
- Information about the trend of the retail market.

Acrimolde identified:

- Inside information about where the retail market is heading to;
- Be involved in the planning, or have previous access to information when these decisions are being made.

Movecho & Yudigarwants to:

- Know the investment volume assigned to them on the beginning of the year;
- A personal and constant contact to overcome bureaucracies;
- Receive already filtered information about the requests and what is really needed.

Kinasmart, due to its smaller size, is looking for:

- Being involved in the planning to easily adapt to the requests;
- Have a personal and constant contact to maintain the relationship customer-supplier.

Plexo – Representações SA & RSE – Gestão Suporte Publicitários, Lda want to:

- Be part of the planning of the equipment department of Sonae MC;
- Be informed about the trend of the retail market.

To sum up, the topics referred by each supplier can be grouped by their area of action, separating the image area supplier, from the fresh equipment area and the exposure area ones.

The main knowledge that is looked for by the image area suppliers is to get to know the planning during its development. Mainly because there are very specific and different

materials that can be used, and with the short deadlines, they say that sometimes they are not able to fully fulfill Sonae MC necessities because the materials are not the best or the deadlines are too short for the work demanded

The suppliers from the fresh equipment department are more focused on receiving new ideas for new products and in knowing what the trend of the market is in order to be able to innovate and differentiate them from the rest of the competition.

Regarding the exposure suppliers, these were probably the ones that identified more items. Looking to know the investment volume assigned to them in the beginning of the year, to be able to plan their year activities and allocate resources. They are always looking for a constant personal contact, due to the fact that there can be several perceptions to what is demanded and like this narrow the probability of misinterpretations, as well as receiving already filtered information. Lastly, they identified the fact of being able to receive the trend of the retail market in order to be able to plan in advance and come up with innovative ways of growing in the market and face competition.

Even though the suppliers chosen were different in terms of size and specialties they all referred to Sonae MC as one of their biggest and more important clients. With this we are able to have a general idea of what type of information the suppliers are constantly looking for. In the next section an analysis of each one these topics will be done.

With the enumeration of what the suppliers are looking for together with the literature chosen, it is now time to combine both in order to analyze how this specific knowledge is created and how can the suppliers be involved with the operations of Sonae MC. Analysis done in the following chapter.

5 Knowledge Management Model

After gathering what type of information are the suppliers looking for in a client like Sonae MC, it is now time to analyse how that specific knowledge is created inside Sonae MC in order to be able to involve the suppliers in this flow, with the final objective of increasing their values for both parties and turn the operations more efficient through cooperation.

This chapter starts with an overview of what specific knowledge are the suppliers looking for, followed by an analysis of specifically how each type of knowledge is currently created inside Sonae MC. Then, there is a comparison between how the knowledge flow is currently conducted and where and how the suppliers can be integrated in the operations of Sonae MC in order to have partnerships where both parties benefit.

5.1 Knowledge identified with the Interviews

The interviews were performed with the objective of identifying the knowledge that can have value to the suppliers in their relationship with Sonae MC. This value can turn into an impact on sales due to the dimension that Sonae MC has on the retail market, or/and an improvement on the portfolio and on the services provided. As was listed on the previous chapter, Suppliers knowledge analysis, the following issues were identified with the interviews:

- Knowing the investment volume on each supplier/material/equipment at the beginning of the year – so that the suppliers are able to plan and organise their resources based on the needs of their clients;
- Having constant personal contact that is identified as a specific knowledge of the necessities of information that each supplier has (to overcome the bureaucracies of having two companies working together);
- Receiving already filtered information about the necessities of the shops, which make understandable what is demanded and easier and faster to answer to the real order and necessity felt;
- Having new ideas for new support products/equipment for the shops;
- Knowing where the retail market “is heading to” in a sense of knowing the trend so that the suppliers could be aligned with the objectives of their clients;
- Being involved in the department activities planning of the necessities, the material and the equipment that will be purchased during the year (to be able to give the best solutions and know in advanced the orders and the deadlines).

Next, a deeper analysis of each issue is conducted, in order to analyze if there is further potential to know how that specific knowledge is created and how can an involvement between supplier and Sonae MC result in a win-win situation.

5.2 Looking for New Products

Employees work on a daily basis with equipment such as ovens and fridges and are in constant contact with the clients on the retail shops. The employees gain practice in dealing with this equipment, due to the amount of hours that they have to work with it, and easily spot if there is something that could be improved (something that is verified by the suggestions received by the innovation centre of Sonae Group).

Sonae is constantly focusing on innovation (Relatório de Actividade de Inovação da Sonae 2010) and gives space for employees to discuss their ideas and share their methods of working as well as their suggestions. This can be linked with **socialization** (Nonaka, 1991; Nonaka & Konno, 1998), the first stage of the SECI model (Nonaka, 1991), where the topics of sharing tacit knowledge among individuals and sharing past experiences are discussed (Nonaka, Toyama & Konno, 2000).

If a problem/situation is identified as important by the head managers, this means that there is space for improvement on a specific area. Then the flow of the identification of a problem is followed as:

- The problem is identified by the innovation area and is given as suggestion to the respective departments;
- The situation is analysed and formalised when passing to the departments, something that can be considered as **crystallised** (Nonaka, Toyama & Konno, 2000) because it is put into manuals or memos that are perceivable and understandable by everyone;
- The knowledge that once was personal is now put in an understandable form and communicated to the interested parties, such as the managers, by **externalization** (Nonaka, 1991; Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000).

At this point, the problems and the solutions are already identified. The following step is to know exactly how it is usually solved, being in this case the study of suppliers that could create a solution that has specific knowledge and is able to easily come up with a product to overcome the situation. At this stage, there is a transformation of the existing product into more specific data, where explicit knowledge is turned into a more systematic one (Nonaka & Konno, 1998; Nonaka, Toyama & Konno, 2000).

After this step, the knowledge creation process is continued by Sonae, together with the supplier chosen. Both Sonae MC and the supplier benefit from the creation of a new product, a new method or new knowledge that gives them value in best serving their clients and in better positioning themselves in the market. With the implementation of this “solution” there is a constant sharing of the explicit knowledge until it is embodied on the daily practices of all the employees; the **internalization** stage (Nonaka, 1991).

5.2.1 Suggestion (Knowledge Model)

This process can be improved in Sonae MC if, as we will see on the rest of the chapter, the supplier is involved much earlier on the decision process. What happens nowadays is that the decision making process is completely on Sonae MC side. Sonae MC is the one that analysis the situations, is the one that feels that there is space for improvement, and that has to canalize resources to be able to discover what can be done to improve the product or the situation itself, and only after the supplier is involved in the process.

The suggestion here is to involve the supplier in a more earlier stage on the actions of this department. It would be beneficial for both parties if this is put into practice.

The supplier can become involved after the identification of the problem, by having direct access to the knowledge that is formalized at this stage. On the stage of **combination** where the managers are trying to look for an answer to solve the problem previously identified. Like this, the suppliers can easily identify what can be done. Not only because they have resources that are only focuses on that specific area, they also have years of experience and can come up with a more practical solution in less time.

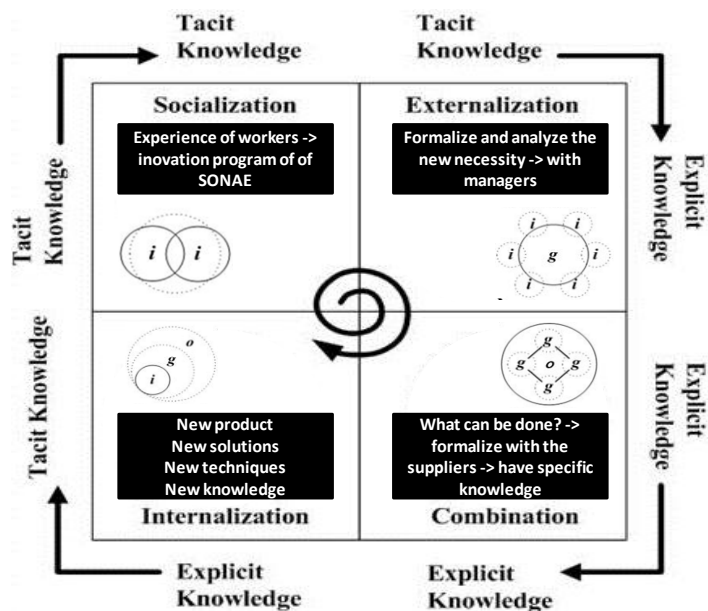


Figure 11 - SECI Model adapted to the creation of new products

Both parties can win here, as the suppliers have access to inside information and are able to come up with new solutions that will be useful and important to their clients. They will also have a strategic advantage from their competitors.

Regarding the advantages for Sonae MC, with this “alliance” they do not have to canalize extra resources to find a solution and are able to have their problem fixed with a solution done by the experts in the area. It is a faster and more efficient way of dealing with the natural need for improvement on the services provided by the shops of Sonae MC. The graphic model of this evolution of knowledge can be seen in Figure 11.

The internalization of this new knowledge is achieved, after the implementation of this solution created and with the experience and while dealing on the daily basis with it.

5.3 Looking for the Investment Volume

Every year the directors of Sonae Group analyze the market and its trend and based on the results of the firm and the conditions of the economy, they delineate the objectives for the firm (Relatório de Contas, Sonae MC, 2010). When these goals are set, this knowledge has to be **externalized**, in a form of memos, budgets and reports to all the departments of the organization. This information has then to be interpreted in different forms based on the objective and the functions of each department.

If we focus on the equipment department of Sonae MC, this knowledge is received in a form of budgets and objectives to each existing or new shop. With this, each manager has to organize its area, dividing the budget to each material/equipment and each supplier. Each manager does a **combination** of the explicit knowledge received turning it into a more specific and understandable new one.

At this stage, the meetings and the negotiation with the suppliers begin and in order to get the best deals this knowledge is already inherent to the manager (**internalization**). What is normally done, is that the manager informs and orders individually what will be needed to each project, independent of how many times more would include that specific supplier in another project or not.

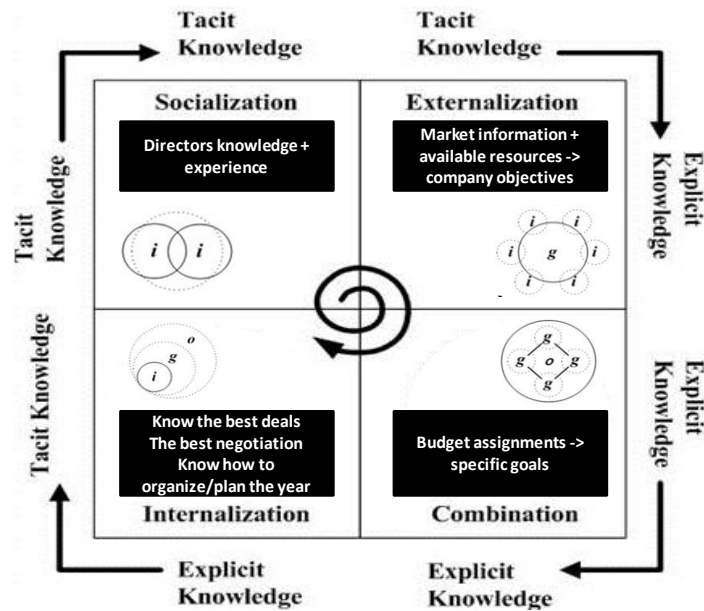
5.3.1 Suggestion (Knowledge Model)

What the suppliers are looking for is the access to the investment information assigned to them. What this mean is that they want to have access to a part of the planning information of this department. They are looking for the complete information of what Sonae MC will be willing to invest on them in advance, on the beginning of the operations year.

This involvement would be happening at the **internalization** stage, where each manager assigns the budget of his area to each available supplier. This is the moment when it is decided how much money and how many products will be ordered from each supplier.

If this evolution is made, there are gains for both parties involved: Suppliers can be more efficient because, with this information, they are able to plan their year activities in more detail. With this, they know exactly what type of services will be needed during the year, and as consequence know what type, in what quantity and when will they need their resources, being able to provide a more efficient service with less fails.

On the other hand Sonae MC benefits by having their necessities fulfilled in a more efficient way and on the exact time that are needed, without any delays.



If SONAE **decides** that there is a mutual understanding and a trust relationship with the supplier, this knowledge can be externalized and through dialogues, this knowledge that was once explicit can be transferred in a form of tacit, starting a new knowledge creation spiral. While doing it is being internalized, especially on the suppliers' side, that together with their experience, will be able to improve their operations and start a new and improved knowledge spiral. The graphic model of this evolution of knowledge can be seen in Figure 12.

5.4 Looking for Filtered Information of Equipment

By filtered information it is meant to give the suppliers exactly the specific information that they need to fulfill the clients' needs without having useless and excessive information delaying the process. This specific knowledge can only be acquired with experience passed from person to person.

It starts with the knowledge that each manager has of the necessities of its department, which through **socialization** starts to initiate the stage of **externalization** while the action/processes evolution is processed. The demands get more specific depending on the number of suppliers available and the knowledge formalized in specific demands.

As the contact with the suppliers is improved and is advanced in time, these descriptions are formalized depending on the supplier in focus. The **combination** of this explicit knowledge becomes more perceivable what is demanded from each source.

5.4.1 Suggestion (Knowledge Model)

Due to the amount of suppliers and the projects that are usually happening at the same time, the managers order the services and products to the suppliers, but can be ambiguous in providing this information. By not being focused or explicit enough about what is really needed from the supplier. The suggestion is that, the suppliers would be given only the information that they really need.

This involvement will be done at the **internationalization** stage where the managers are able to gain more specific knowledge about each one of their suppliers, and with it, become even more professional, in knowing exactly what kind of information and how should it be delivered to each supplier.

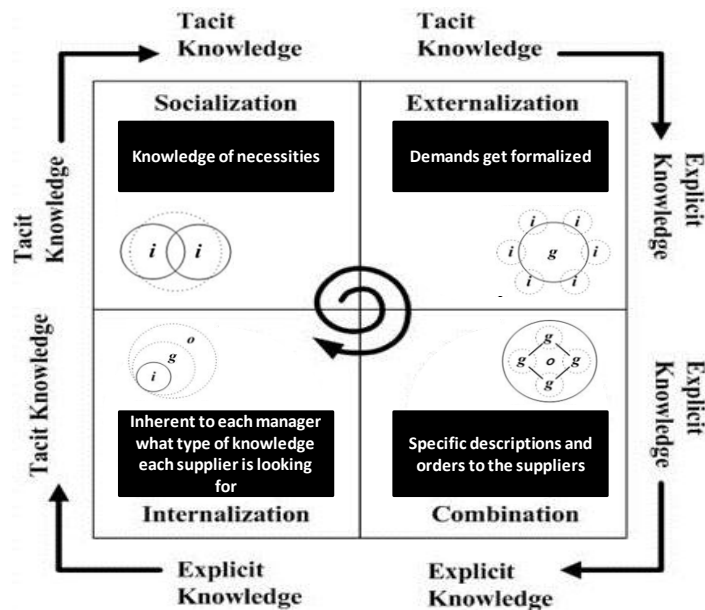


Figure 13 - SECI Model adapted to filtered information

With the evolution of the projects and of the amount of

times a supplier works together with Sonae MC, the managers gain knowledge about what type of information is needed by each supplier and would be able to keep the contacts simpler and would not create space for any doubtful requests.

Both parties have gains in this spiral/evolution. Firstly, the suppliers do not have to lose time to filter the information that they receive and they easily fulfill the clients' demands, erasing the probability of misunderstandings and waste valuable resources in unnecessary projects. Secondly, Sonae MC receives exactly what it demands without any delays and without any errors of lack of communication because it is done in a more efficient and focused way. The graphic model of this evolution of knowledge can be seen in Figure 13.

5.5 Looking for Retail Market Trend

The objectives of the company are established based on the experiences of the group, the results of the market and the opinions of the ones responsible for the company as groups have the practical knowledge of where the company is heading to (**socialization**). This information is crystallized into explicit knowledge with the objective of **externalize** it in the form of memos and internal reports. So all the collaborators are able to know the results, the objectives and align themselves with the companies' vision.

Through the **combination** of all these explicit knowledge, the reports to the shareholders are constructed and made public to inform how the company results are. Now, employees know the company's objectives, which combined with company results, with the suppliers' knowledge and their experience, make them have a broad view on how and where the retail market is heading to, so they **internalize** the knowledge.

5.5.1 Suggestion (Knowledge Model)

From this, the managers have a valuable knowledge on their side. They know where the retail market is heading to by combining the explicit knowledge, with the objectives of their department for each here. This constitutes a trend that the suppliers have to adapt to in order to keep attractive and competitive in the market.

The involvement of the suppliers would occur at this stage, the **internationalization**, where the managers combine all the explicit knowledge that they constantly receive with their experience, being able to analyze the market trend and reaching the exact knowledge that is looked for by their suppliers.

If the suppliers get involved with Sonae in having access to this knowledge (that only the collaborators are able to have), with mutual understanding and trust through their client-supplier relation, there can be exchanged previous explicit and now tacit knowledge, through dialogues on the negotiation meetings.

Both SONAE and the suppliers can win if this relationship is developed, as the suppliers will be able to adapt more easily to the trend if they know it before and, with this, are able to come up with more practical suggestions instead of waiting for specific orders, delaying the negotiation time. Sonae, on the other hand, would benefit from having more prepared and with better solutions suppliers, being able to have their necessities satisfied in a shorter and more innovative way. The graphic model of this evolution of knowledge can be seen in Figure 14.

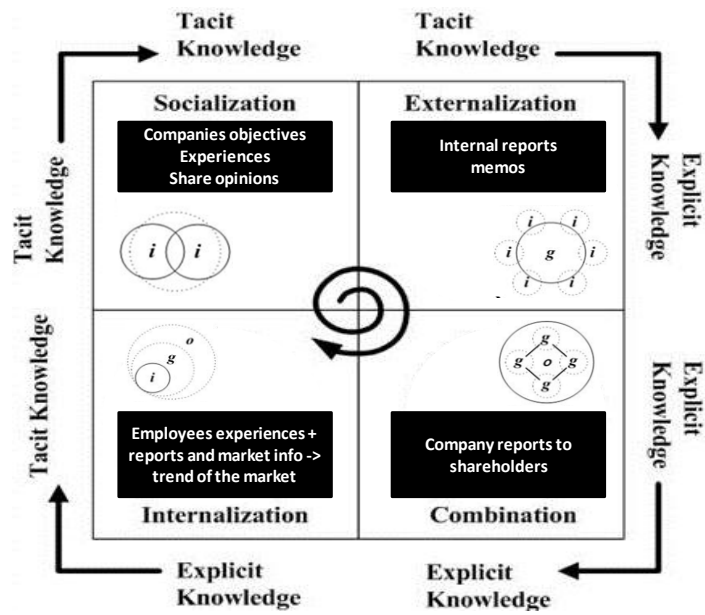


Figure 14 - SECI Model adapted to the information of the retail market

5.6 Looking for including suppliers in the planning process

As seen before, the year in a company starts with an analysis of the market and together with the top managers knowledge, the objectives are defined together with the year’s budget (tacit -> explicit).

The combination of this information is assigned to the different departments and **combined** into the goals and planning of each area. However, in order to be able to reach the goals of each department, the managers have to get united and plan the year’s activities. At this time, the goals are delegated and the timings and ways to succeed are established. This planning has all the openings and improvements of the shops, together with the timings and the products necessary for each one.

With this done, the managers have now the tools to start contacting the suppliers and start the analysis and negotiation process with them.

5.6.1 Suggestion (Knowledge Model)

The improvement suggested here is to get the suppliers involved on this planning, creating space for them to give their inputs. This is the **combination** stage, where and when the managers receive their objectives information from the group and have to plan their actions.

These inputs can be very valuable because they have a more specific knowledge about the area where they are working in. They are able to recommend the best materials to each project, and give a realistic time length, in order for the plan to be the most realistic possible and to be easy to follow with no need of adaptations along the year.

Sonae MC has an advantage if all the deadlines that the managers set are accomplished in a more realistic way because they would be planning with the inputs of the ones that they depend on, their suppliers' activities and available resources. As well as they would know in advance what are the best materials to use in each need, especially on the image department, this will be valuable inputs. The graphic model of this evolution of knowledge can be seen in Figure 15.

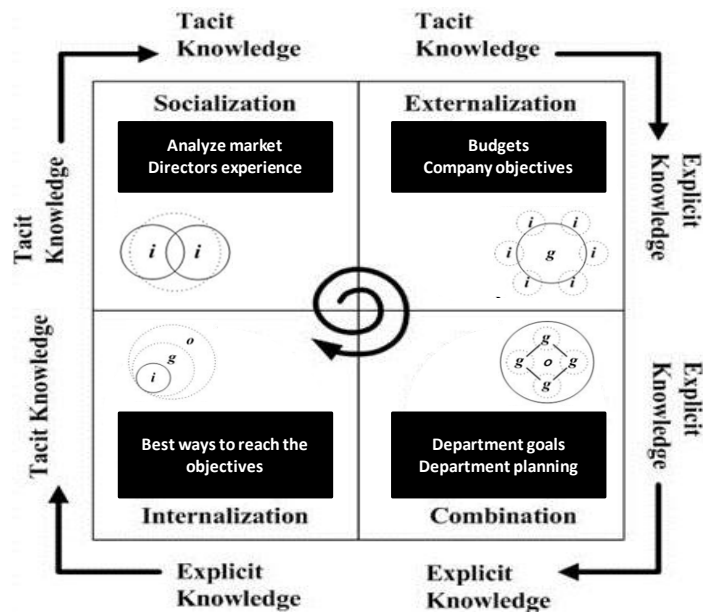


Figure 15 - SECI Model adapted to the involvement of suppliers in planning

5.7 Knowledge Flow Model

The objective of this section is to combine all the previous flows of knowledge, and analyze how the progress is done as a whole to create an integrated model. The suppliers are, at this stage, involved with Sonae MC and it can be seen where exactly they can cooperate in the creation of knowledge. This involvement brings advantages for both parties that can be easily seen.

In figure 16 we can see how the knowledge creation spiral is nowadays in the equipment department of Sonae MC. Presently, the suppliers are the last ones to receive any information and this information is restricted to the minimum possible.

It starts with the market analysis that together with the history of the company, are formalized in order to help in the decision of the directors of the group. With this knowledge, the

managers are able to define the company objectives for the year together with the available budget for the year in question.

These company goals are assigned to each department, and at this stage each department is responsible to formalize and plan their year actions in order to fulfill the group necessities. With the flow of actions, this knowledge is internalized by each worker and, specifically at the equipment department in Sonae MC, is at this stage that the negotiations with the suppliers start and the action plan previously defined is put into practice.

This tacit knowledge, together with the practical experience of the workers, is the trigger to initiate a new curve on the knowledge model, contributing for the constant improvement of the department activities. This leads and contributes for the definition of the objectives of the department, which contribute for an elaboration of a new and better plan together with an implementation of new innovative methods.

The knowledge created is due to the increasing knowledge background of the workers that constantly improve the department activities. Together with it, the managers get more demanding in the negotiations with the suppliers and in choosing the best products and services that provide to the final client, the supermarket customers. That providing them the best experience is the main goal of this department, to create welcoming spaces with the best services to offer the best experience while shopping.

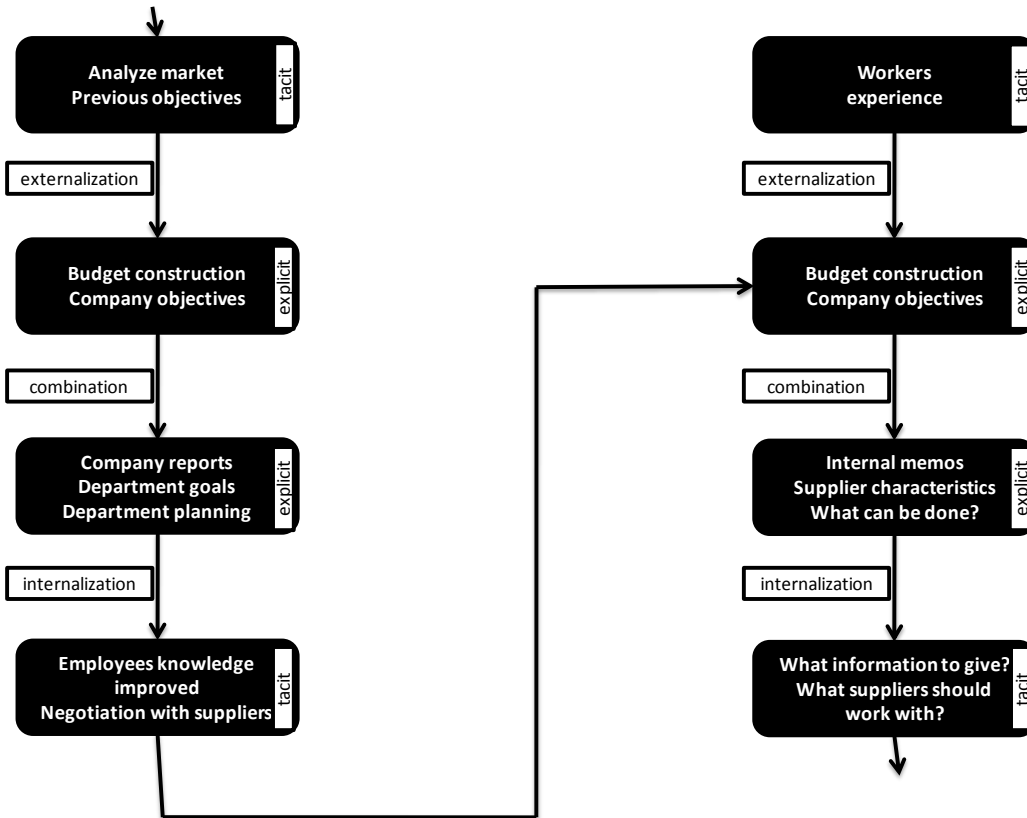


Figure 16 - Knowledge Creation Spiral of DEC

5.7.1 Suggestion (Knowledge Flow Model)

The objective now is to involve the previous suggestions on the knowledge model of the equipment department.

The beginning is going to remain the same, starting with a study. This study is focused on the evolution of the market, how the trend is, what has been done by the competition and what are the necessities of the customers. These all combined with the tacit knowledge, the experience and the willingness of the administrators to decide and plan the year objectives and the budget available for the group.

These reports are then divided into departments where the plan of action is constructed to reach the objectives. Here is the first step where the suppliers want to be involved in order to be able to participate on the planning and give suggestions on the timings and the best materials.

This knowledge of the plan is then internalized on each collaborator that has now the power of knowing what is the trend of the retail market and the budget available to reach the objectives defined, topics of knowledge that are constantly looked for the suppliers.

If we continue the spiral of knowledge, and combine the level that we reached with the workers experiences and constant suggestions, we are leading to an adaptation and an evolution of the objectives. And with this internal memos and an analysis of the suppliers' characteristics, Sonae MC is able to know what can be done and who has the capabilities to put it into action and satisfy the necessity.

This level of information starts to be internalized by the managers and here the suppliers can be involved one more time. They look for already filtered information, something that is only possible with experience in dealing with them to know exactly what type of information would make their work more perceivable and with less space for mistakes or misunderstandings.

It is at this phase as well that is important to work together with the suppliers to create new products, that aligned with the specific knowledge and the necessities felt, can solve the situation in a more efficient way. While creating a new product both parties would benefit from it.

In summary, this is a generalization of the spiral of knowledge creation and management of Sonae MC, more focused on the Equipment Department, and the different levels where the suppliers will be willing to collaborate in a partnership where the knowledge of both parties is the asset being shared. Having in mind this knowledge spiral, it is a tool to understand who are the suppliers that would have value to it, be able to differentiate them, and by doing knowledge partnerships with them would help to improve and accelerate the value creation by both parties involved. We can see the illustration in figure 17.

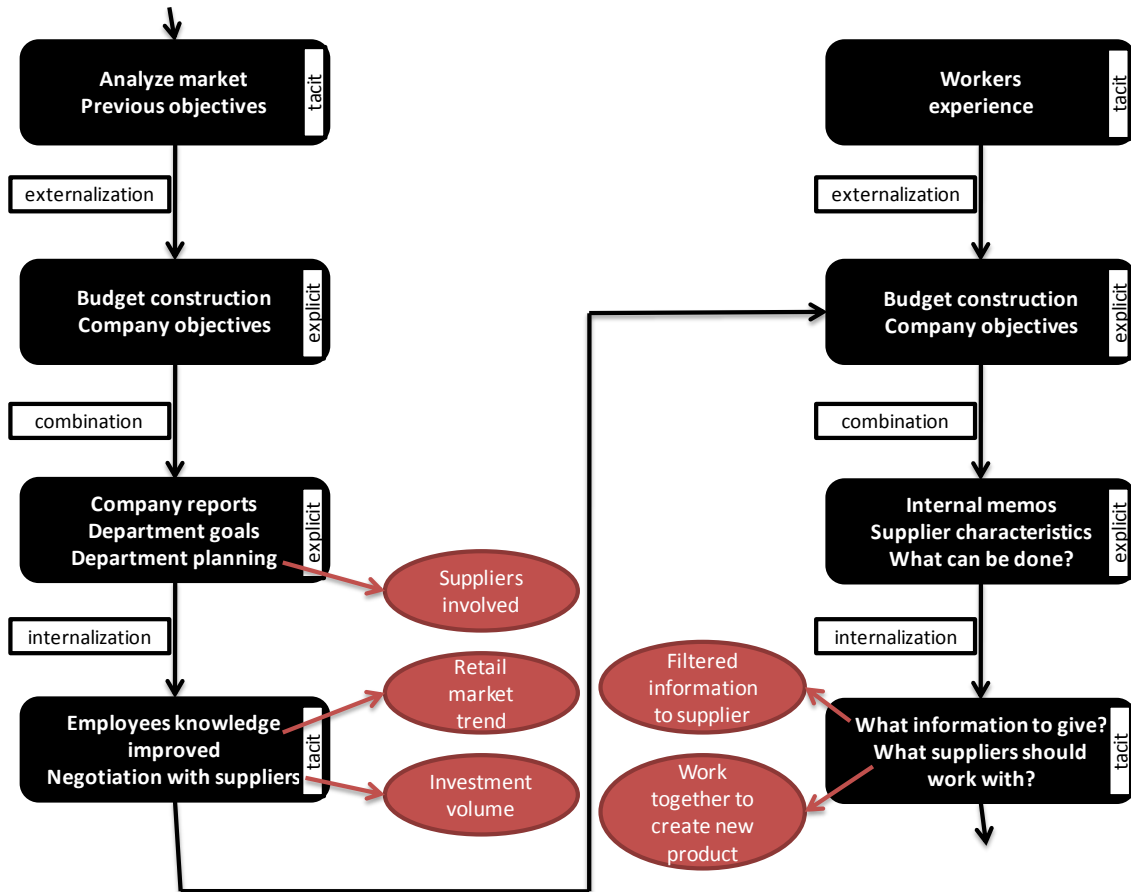


Figure 17 - Knowledge Creation Spiral of DEC with the knowledge from suppliers

5.7.2 Implementation Strategy

In order to put the above plan into action, it is important to previously establish the confidentiality issues and the complete dedication, involvement and objectives of both parties. The solutions will be presented separated on the type of knowledge in questions:

Suppliers involved:

This topic is more connected with the image area suppliers, which should be chosen a specific supplier that has the most potential to contribute with knowledge form the specific are where it comes from.

It should be scheduled a planning day at least once a year (when the planning of the department is done), where Sonae MC will let the supplier know what is the plan of action and the needs for the year. Focusing especially on the materials that will be used and the respective timeline.

With the access to this planning, the supplier is able to analyse and give his point of view while contributing with useful suggestions. Mostly focused on the best materials to use in each project and on the time/deadlines planned are realistic both for Sonae MC and for the suppliers' side.

To keep a constant updating of the information on the planning, it can be created a planning platform based on a time line, where the ideas could be shared on an interactive way, because sometimes it is not possible to have access to all the information at one day. So, with this platform, both parties could have access to it and share the inputs that could be updated on a daily basis.

Retail Market Trend:

The knowledge of the retail market trend is the sharing of tacit knowledge that the managers create with their experience. This knowledge can be shared informally on the regular meetings with the suppliers.

An informal time, in the form of a meeting, between the supplier and the manager responsible, with the objective of the managers start sharing what are the objectives of the group, as well as where the retail market is heading to, in order to give to the suppliers more knowledge with the objective of improving their services. This meeting can be scheduled at least twice or three times a year so that knowledge won't be forgotten during the year activities.

The experiences of both parties, like the years of experience, and the constant evolution and adaptation of the markets, that contribute to constitute the tacit knowledge, can be crystalized by defining the trend together. With formalizing this knowledge, both parties can discuss where the retail market is heading to and what will be their part in this evolution. A document, like a report, can be created between the two parties, where the paths of what has been happening until nowadays could be reported and with it plan where it is heading to. For example, on the kind of materials will be mostly used, or the types of products and the timing of them.

Have access to Investment Volume:

The investment volume information has to be delivered after the planning of each area of the equipment department. Is the sharing of explicit knowledge, the knowledge that comes from the planning, which comes in a form of memos.

The way to share this knowledge, avoiding any misunderstandings, would be by scheduling an annual meeting (at the beginning of the year), where the suppliers will be inform about what will be expected from them during that year, so that, they can plan and organize their resources in order to meet the department plan.

Filtered Information:

Receiving constant filtered information can only be achieved with experience and constant contact between the suppliers and the managers. With this, the managers gain practice in being specific on their orders, knowing exactly what type of information should be delivered or not.

This method/strategy/approach of constant contact should be in constant focus and in constant improvement of becoming more and more focused on what is really essential to focus on.

In order to be able to assure that this tacit knowledge is in constant improvement, Sonae can implement an extra “space” on the actual database, the SAP SRM already presented above, where details of the contacts, and type of information needed could be updated every time there is a new contact or a new suggestion of improvement. With this, it will be easier to share the existing knowledge and it will be a powerful tool in case of a necessity of a transition between managers.

Creation of New Products:

Creation of new products is already done on this equipment department, however the suggestion is that the involvement of the suppliers starts in an earlier stage, than what is done nowadays.

The strategy here is, at the moment that the problem is identified, and it reaches the managers hands, the managers should contact a potential supplier for the job to analyse the situation on that early stage. Like this the supplier is involved in looking for a solution instead of only receiving the information from the managers and put the solution into practice. This is the stage where the explicit knowledge is becoming “more” explicit, and it can be done through a constant contact by email, between each supplier and its manager, to avoid any wrong interpretation of any information.

The research time of trying to come up with a solution for the problem previously identified is diminished because it is delegated for the supplier instead of only ordering a new product

from them. The suggestion here is to give more decision power to the supplier, leaving more time for the managers to focus on the daily operations of the department.

In this section, the model proposed by this dissertation was presented. It stated the creation of each knowledge that is looked for and combined all these different types of knowledge on a model, based on Nonaka's SECI Model. With this analysis, it was demonstrated that there is indeed space for a constant improvement in this specific department that can have positive consequences for all the parties involved. Sonae MC will be able to differentiate faced of the suppliers, the suppliers will have access to the knowledge that they are constantly looking for in a company like this. And Sonae MC will benefit from having more prepared suppliers on the specific areas where it is needed, and on the other hand, this suppliers gain value by being able to put this knowledge gained into practice and become more valuable to their other clients. This stage was finished with an approach for the implementation of the different areas of the model and then followed by the conclusion of the entire study.

6 Conclusion

6.1 Objectives achieved

The present work was aimed at evaluating the operations of the equipment department of Sonae MC and analyse if there would be space for differentiating regarding their suppliers using knowledge partnerships.

This dissertation work has a proposition for a new way of managing the knowledge creation spiral of this department involving the knowledge and experience of the equipment suppliers, in order for Sonae MC to be able to differentiate regarding their different suppliers.

In order to be able to implement such model, it is important to have in mind importance of having strong ties between the involved parties when regarding multi-organisational projects (Rice & Rice, 2005).

Throughout this analysis, the operations of the equipment department were studied, on section 3.2 Equipment Department, as well as the suppliers that had more potential to be involved with this department in the future. These suppliers were analysed, through chapter 3.4 Key suppliers, and interviewed to let know what exactly they are looking for in a client like Sonae MC in section 4 of this dissertation. This knowledge was individually analysed, in the next section (5 Knowledge Management Model), in order to know precisely how is it created and how can the suppliers be involved and improve the present flow. This analysis was conducted based on the SECI model of knowledge creation (Nonaka & Takeuchi, 1995), a model that allowed for the identification of the best tools to put into practice, depending on the stage where the involvement of the suppliers should occur. The areas of Sonae MC in focus were the fresh products, the exposure and the image equipment. The knowledge identified was related with being involved in the planning activities, having access to new ideas for new products, being able to know the trend of the retail market, having a personal and constant contact with the manager and knowing the investment volume for the year in advance. With this information, it was shown, under the suggestions chapters of section 5, that there is space to cooperate with the suppliers and to improve their services by involving them on the decision planning operations and by giving them non-public information.

Being the research question of this dissertation: **Can Sonae MC differentiate regarding its suppliers by creating knowledge partnerships with them?** The answer is **yes**, because, as explained, Sonae MC can involve the key suppliers in its knowledge flow model in order not only to become more efficient, but also to bring gains for both parties. This collaboration is

mainly done at the third and fourth levels of the SECI Model (Nonaka & Takeuchi, 1995) of the knowledge creation, when the knowledge is already crystallized, is prepared to be shared and is easily understandable and usable by both parties involved.

With this new implementation, the suppliers will be able to face in advance the demands of the retail market and will be able to improve their services and be more competitive. On the other hand, Sonae MC will benefit from more prepared suppliers, which can help on the planning of the activities and with constant improvement suggestions. This new positioning will serve for Sonae MC to be able to get better services from their suppliers in order to be able to improve their services offer and experience of their clients on the shops.

6.2 Limitations

The major limitation of the literature used as support is that it was initially created for knowledge circulating between teams inside the same organization and not between different organizations (Rice & Rice, 2005).

The limitations of implementing such a model come from the fact of having confidentiality issues; however, they can be overcome. Sonae MC could avoid issues like giving non-realistic deadlines to the suppliers and would be able to plan in advance all the right materials that would be needed and have them available as well as B plans in case something could go wrong.

6.3 Future work

The work taken throughout this dissertation had the objective to prove that there was space to include the suppliers on the decision making process of Sonae MC, and with this improve the efficiency and the operations, not only of Sonae MC but of the suppliers as well.

The next step could be to focus in at least one of the suppliers studied and propose an implementation of a partnership. With the objective of sharing the knowledge of both parties and experience the benefits that it would come out of it.

In the future, this study could be extended to different kinds of suppliers- an example could be the security area. There is very specific knowledge that is characteristic to this area, and there is space from both parties to learn from the techniques of each other. It should be an interesting area to focus on next.

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Appendix 1 – Interview RSE

“Uma grande valia para futura parceria, o que na minha opinião, para se efectuar um trabalho de qualidade e nas expectativas que a Sonae merece, deveria funcionar mesmo como uma parceria e não com simples compra do tipo quem faz mais barato fornece, porque nas obras de fundo, Aberturas, Remodelações, julgo que a Sonae quer passar uma imagem forte, de qualidade, inovadora, apelativa ao consumidor, e para um projecto ser bem-sucedido, na minha opinião os fornecedores (Parceiros) escolhidos para um determinado desafio, deveriam ser incorporados desde as concepções ao planeamento da obra.

Acontece, que recebemos um projecto, que por vezes os materiais escolhidos não são os mais adequados, dispomos de pouquíssimo tempo para construir e montar os projectos, alguns deles, autênticos trabalhos “suicida”, temos que produzir na base de muito esforço, horas extraordinária, exercer pressão sobre fornecedores, por vezes alguma matéria-prima não está disponível, se algo na produção corre mal, não existe tempo de refazer e Toda uma estrutura pode ser posta em causa de incapacidade, incompetência...quando na realidade podia ser evitado se fossemos incluídos mais cedo nos projectos, podendo assim antecipar compras, planear as nossas produções, produzir mais perfeito.

Entendo que a confidencialidade nos projectos poderá ser um entrave, mas existem acordos de confidencialidade de parceria que podem ser assinados para o efeito.

Concluindo:

Na minha opinião os parceiros deveriam ser escolhidos e convidados para participar nos projectos mais cedo, dando o seu contributo com conhecimentos de produção para quem chefia o projecto possa ter um leque mais vasto de opções, e ter algum feedback da produção/montagem que inclusive pode determinar prazos da obra.”