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# ISBE Conference

## Engaging the Small Firm in Learning: practice based theorising on complex social knowledge in the SME Firm

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### Abstract

The concept of organisational learning has experienced a huge growth in the last decade, both in academic and business domains. The rationale for the development and growth of material in this area can be attributed to the changing dynamics of the business world, coupled with the extensive analytical value of organisational learning in contributing to the development of understanding the SME firm and their activities, (McElroy, 2003). The SME firm and its management process are quite contextually specific and are dependent or related to a wider number of factors making it difficult to specifically and rationally identify learning criteria which would allow and enable for the development of a learning environment. The paper sets out to suggest that knowledge in the SME enterprise is embodied as evident in such notions as tacit knowing and learning, and embedded grounded in the situated social historic contexts of individual lives and work. This supports the view that the nature of knowledge is inherently indeterminate and continually evolving.

Current academic literature has widely acknowledged that the SME enterprise learns through action oriented processes, and much of this learning is context dependent and experientially based. Firm learning can be conceived as something else which develops primarily through activities such as complex problem solving, experimentation, and simply learning by mistakes such events in these firms occur informally in a ad-hoc manner, and as a result it seems that learning in the SME firm occurs through opportunistic moments, incidentally facilitated by other workers or the owner/manager in the firm. Such a focus on firm knowledge and knowing is particularly appropriate in the consideration of the demands which have been placed on the small firm to be innovative and creative, especially in competitive environments, where the development and delivery of new services and products is of huge importance. The paper seeks to extend the current conceptualisations of organisational learning by considering how a practice based perspective of knowledge is useful in this regard. In this perspective, learning is no longer equated with the appropriation or diffusions of pieces of knowledge, but rather it is viewed as the development of situated identities based on participation in a process of social engagement and interaction. This provides an alternative to the dominant cognitive models, which considers learning as an individual process, where the individual is someone who processes information and modifies their mental structure as a result.

## **Introduction**

The influence of globalisation, dynamic environments, the use and expansion of information systems and technology, has placed a huge influence on how the SME enterprise uses and develops knowledge, (Leonard-Barton, 1995; Brown and Duguid, 2001). Central to the concepts of knowledge in the SME enterprise is that knowledge is an increasingly important source of wealth creation and competitive positioning for the firm. In particular the SME enterprise depends heavily upon the generation, utilisation and acquisition of knowledge. Such a focus on firm knowledge and knowing is particularly appropriate in the consideration of the demands which have been placed on the SME enterprise to be innovative and creative, especially in competitive environments, where the development and delivery of new services and products is of huge importance and represents an ongoing firm challenge. Dealing effectively with such challenges requires a focus away from the firm's knowledge base, which currently occupies much of the traditional discussion on organisational knowledge, and towards a focus which draws attention to organisational knowing as an emerging process from the continuous and situated practices of firm agents as they interact and engage with each other in the dynamic environments in which they function. By viewing organisational knowing as a process, in which agents are understood to act knowingly as an element of their routines and day to day activities.

However the literature domain on organisational learning and knowing in the SME enterprise is currently facing a series of issues and problems such as the theoretical confusion and misinterpretations in the field, which is largely because it is a natural part of the maturation process in such a dynamic and intellectual field. The research debate in the area of learning in the context of the SME enterprise to a degree ignores the growing attention to the social and processual aspects of knowing and learning which originates from the philosophical positions of phenomenology, pragmatism, symbolic interactionism, Wittgenstein's thought, deconstructionism, and poststructuralism. Nightingale (2000) demonstrates that a large element of the discussions surrounding knowledge management is a re-unification of debates, which have taken place centuries ago through authors such as Hume, Locke and Descartes. In order to draw a new perspective to this discussion a new set of understandings of both knowing and learning must be established. Thus allowing the conceptualisation of new theoretical positions with regard to knowledge and knowing in the SME enterprise which moves away from the traditional mechanistic domain, which depict knowledge as the static result of programmed resource focused agents and that suggest that knowledge can be stored, transmitted and circulated to other agents able to assimilate it into some form of mental or material repository.

The SME enterprise provides a unique and interesting context for the investigation of organisational learning in terms of extending the current conceptualisations of organisational learning by focusing more attention to the roles of tensions in relation to learning that define its emergent nature. The paper argues that learning through practice provides a means to better understand and explore methods of cognition and learning. The paper contributes to the existing debate surrounding issues of learning in the SME enterprise, by providing new insights from a social-process perspective which understands knowledge as socially constructed, in particular that of a practice-based perspective of the firm as a promising way to address the issues of knowing and learning in the SME firm in such a way the richness and depth of the phenomenon can be considered.

By adopting a pragmatic perspective the paper contextualises and puts forward the argument that the tendency of the SME enterprise to operate under conditions of uncertainty determines and affects the knowledge which is developed in the firm, as a consequence of the actions taken. The paper is

theoretical in its approach and intent, and offers a conceptualisation of the uncertainty and dynamic nature of knowledge in the post-modern world, by supporting the claim for a new understanding of knowledge and learning in the SME enterprise (Curran, 2001). The contribution of this theoretical chapter to the paper is the illustration of how an application of a practice-based view can help extend the OL field.

The paper sets out to develop a more comprehensive understanding of the learning process which exists in the SME enterprise. The paper begins with a review of the current organisational learning literature by highlighting the social complexity of firm learning drawing focus to the situational, institutionalised and dynamic nature of learning, leading to the establishment of an alternative conceptual framework drawing attention to the complex social process of learning in the SME enterprise. The paper draws attention to the principles of practice-based theorising, outlining the relevance of the approach by applying it to the re-conceptualisation of organisational learning as a dynamic social complex process, illustrating how a practice-based perspective can add to the understanding of learning in the SME enterprise by concentrating on the epistemological concept of learning as a process, which is emergent through firm practice.

### **Organisation Learning and Knowledge**

A number of studies on organisational knowledge have contributed to the importance of this area in management literature. Spender (1996) and Grant (1995) consider that interest in knowledge and the firm arose from the work of Simon's (1991) critique of traditional rational economics, coupled to the work of Penrose (1959 (1995)), Hayek (1945), Nelson & Winter (1982) and Polanyi (1962) formed the starting point of this theoretical reasoning and line of enquiry. In contrast to this perspective Easterly-Smith (2000) considers that the recognised importance of knowledge has only become recently apparent, but the term OL has been in existence for decades. The theoretical grounding and context of the subject domain, illustrates disorder, due to the many different approaches and classifications, such as the knowledge-based view, knowledge management, organisational knowledge, and organisational learning, embedded by numerous contradicting perspective and knowledge typologies (Brown & Duguid, 2001).

For some authors firm knowledge can be viewed as tantamount to information, placing emphasis on the storage, retrieval and dissemination of knowledge (Brown and Duguid, 2001). On a separate polar Kay (1993) holds that knowledge is the essence of the firm, which is distinctive to the firm, and is more than the sum of the expertise of those who work in the firm and which is not available to other firms. This suggests that knowledge in the SME enterprise is profoundly collective, more than simply discrete pieces of information the firm agent may possess, but rather a pattern of activities formed within and drawn upon the firm, over a period of time. These difficulties in failing to understand organisational knowledge result in a failure to understand the generation and utilisation of knowledge for which a new theory is required. The SME enterprise constitutes a common interpretative of visions, values and experiences in the form of processes and routines which help to ensure how agents learn. However what an agent learns when sharing a common experience is not the same nor identical, and initial differences multiply over time. This gives way to the understanding that the process of knowledge creation and learning is supported by the development of distinct bodies of diverse firm knowledge. Knowledge in the SME enterprise becomes distributed as an unavoidable consequence of the way by which it is produced; in which agents have varying perceptive, experiences, divergent insights and attitudes. As a result, the firm's agent develops a variety of solutions as an intricate part of the ongoing process of learning by doing.

Leading theorists in the subject domain have long differentiated for analytical purposes individual and collective learning in the SME enterprise. Theoretical accounts of learning as a result usually began from either pole and then reduce the opposing dimension to a casual consequence to either individual learning which is said to constitute the basis for firm learning, the fallacy of reductionism in which firms are believed to analogously learn like agents, (Stacey, 2001). Current existing organisational learning theories fail to adequately capture the understanding of learning as an emergent process, which helps enforce why no specific OL theory forms a grounding theoretical basis. According to Richter (1998) that "current literature on organisational learning does not adequately explore the meta-theoretical and micro-level linkages and relationships between knowledge and learning of the individual and collective learning which maybe obscuring some of the most powerful potential value of organisational learning theory".

The literature base central to learning in organisations has developed over time, this has been highlighted through various perspective - the behavioural aspects (Levitt & March, 1988), the cognitive perspective, (Duncan & Weiss, 1979), the socio-cultural dimensions, (Cook & Yanow, 1998; Lave & Wenger, 1991) and now the practice-based view (Nicolini et al, 2003). There is a tendency that these various categories (have) created a proximity which places one perspective against the other. Current existing organisational learning theories fail to adequately capture the understanding of learning as an emergent process, which helps enforce why no specific organisational learning theory forms a grounding theoretical basis. Two main headings can be used to group organisational learning theories; these are individual and social theories of organisational learning.

The individual perspectives views learning as an individual phenomenon and as a result directs and attributes organisational learning through the learning of the individual firm agent. The underlying assumption is that individuals learn and then transfer this new knowledge to others, drawing to the categorisation of phases such as: information-acquisition-information dissemination-interpretation, rather like an input-output model. This new is closely linked to the concepts of psychological learning theories such as behaviourist, cognitive and humanist, in which organisational learning is the effective procedure for the development, interpretation and improvement of representations of reality through knowledge. This is consistent with the main current theme of knowledge management which assumes that knowledge can be codified, stored and transmitted by being embedded in firm rules and routine thus creating organisational knowledge (Cohen & Bacdayan, 1994). This perspective of learning and knowledge in the context of their relationship in the organisation is established upon a positivist epistemology, which fails to capture and understand the multi processes of knowing in practice/action as social firm agents interact, (Taylor and Easterly-Smith, 1999; Easterly-Smith and Araujo, 1999). Such a greater focus on interactions could help reveal different sets of knowing and also how the relationship between learning and knowledge can be challenged and presented under the context of a new epistemology of knowledge (Antonacopoulou, 2006).

The social perspective, eluded to by Lave and Wenger (1991) and Brown and Duguid (1991), explores organisational learning as the product of social interaction which poses an alternative to the traditional linear individual focused model, which views the individual agent as someone who has information and modifies the mental structures in accordance with that information. The social perspectives such that the individual agents is a social actor, and part of a network of social actors who collectively construct an understanding of the

environment around them and learn as a result of the social interactions within the social system, i.e. the firm (Gherardi *et al*, 1998).

The social perspective suggests that learning can only be achieved through active engagement (Blackler, 1993), which is constantly changing and restructuring in a dynamic, emergent process. Instead of attempting to specifically define what method or type of cognitive as testable conceptual structure which are involved in OL, the social perspective seeks to explore which form of social structure of context is most adapt for OL to emerge, thus drawing focus on the collective and social networks or communication, rather than the individual mindset, (Easterby-Smith, 2000). In this instance learning can be comprehended as a dynamic activity, which is self regulated, in that any situational context (that is the boundaries of the problem), can be controlled. It is the process of social construction, in terms of shared beliefs and meanings in which the social context plays a critical role (Berger & Luckmann, 1967).

Both the individual and social perspectives of organisational learning are useful in that they draw attention to the various aspects of learning theory. By solely adopting one of these perspectives only a small element of what organisational learning consists of will be revealed. Rather it can be argued that in order to fully understand organisational learning it must be viewed in an integrated approach, which connects the various aspects of OL to ensure that the complexity of the phenomenon can be more fully engaged upon.

#### **A Theoretical Perspective on organisational learning: learning through contextualisation**

Current theoretical approaches have failed to engage or connect with the SME sector, which is characterised by heterogeneity and the development of continuous dynamic firm objectives, (Easterby-Smith, Crossan, and Nicolini, 2000; and Elkjaer, 1999). The SME firm and its management process are contextually specific and are dependent or related to a wider number of related factors (Goss and Jones, 1997) making it difficult to specifically and rationally identify those key learning process which would allow and enable for the development of a firm learning environment in order to address the immediate needs of their business environment.

The paper suggests that in the SME enterprise, reality is socially constructed and conceived, based on social interactions and discursive behaviour, which enable the emergent social construction through the firm agents learning. These social constructions involve both plurality and diversity which emerge through the process of social interaction, this approach understands knowledge and learning as a constructing or learning activity, as opposed to a representation, on which reality is constructed socially. In this case knowledge and learning can be articulated and re-framed as a process of activity, for this reason it is now referred to as "knowing", (Cook & Brown, 1999; Gherardi & Nicolini, 2000). Cook & Brown (1999) have used the term knowing to refer specifically to the epistemological position of possession, in which knowledge has the following characteristics: it is situated in the system of ongoing practices, it is relational and mediated by artefacts, it is dynamic and contextual, in that it is always rooted in a context of social interaction and it is acquired through some form of participation.

In the organisational learning literature base which views learning as part of a human activity, as process of active involvement as opposed to attainment. Learning is an integral process of the firm agent's everyday activity in terms of organisational life and work practice (Nicolini *et al*, 2003). This view refocuses organisational learning from taking place in the minds of individuals to being part

of the access and participation of the firm agents. Learning is viewed as a social practice through the construction of social networks and membership of those networks, in which the agents become a competent practitioner (Brown & Duguid, 1991; Richter, 1998). Learning is practical as opposed to a cognitive process and cannot be separated from the creation of identity, by contextualising learning in this way, to encompass identity, expands the idea of learning to include human thinking and development. This also presents a change in the term of what we mean by knowledge, which is the result of the active development and participant of the firm agent by the emerging patterns in the firms social network.

By focusing on knowledge as a process (knowing), an act of creating the social world, which is bound to the agent's senses and previous experiences, and the social process perspective, does not define the world as universal, but rather a self-organising system, which re-creates itself in an open and autonomous method. Knowledge is dependant on context and is closely linked to observation; it is not abstract, but rather specific to the individual agent, (Giroux and Taylor, 2002). Knowledge allows for the understanding and definition of a problem but not the necessary solution. This knowledge is located in the mind and body and the social system in which the agent operate, it depends on the past and on the observer and is shared through active engagement.

To develop an understanding of the methods in which groups learn, it is critical to appreciate the processes by which individuals acquire knowledge, as learning cannot occur if the individual does not engage in the learning process. Learning in the SME enterprise has been described in terms of the varying skills which are required in order to effectively draw in new information and attribute meaning and context. This suggests that the creation of knowledge involves both procedural and contextual elements; procedural knowledge involves the process of knowing how to take data and develop this into information, contextual knowledge bears attention to the environmental domains and awareness of the agent, of their influence on the environment and the issues which arise from it. Knowledge can be understood as a collection of social practices consisting of elementary or neuron (agent) type entities containing diverse sets of knowledge.

Drawing on the work of Polanyi (1966), and Nonaka (1994) a social process perspective of learning is viewed as the development of situational identities based on participation and social-based interactions, (Lave & Werger, 1991). Learning in this case is not conceived as a method of learning the world, but as a way of actively participating in the world (Gherardi, 2000). Gherardi *et al* (1998) draws attention to the large repository of literature in existence on the social dimensions of learning and the social constructionist perspective. According to Fox (2000) one of the main issues which has arisen from the development of learning theory to social learning is the fact that the latter is not a unified field of study, even in its fundamental assumption.

### **Knowing as a Process of Social Practice**

Current academic literature has widely acknowledged that SME owner/manager's learn through action oriented processes of social based interactions, and much of this learning is context dependent and experientially based (Rae and Carswell, 2000). Developing a practice based view of learning in the grounding principle of pragmatic theory offers a view of organisational learning which recognises that thinking is an instrumental component in learning, as participation, and the learning takes place as a complex social process. This view moves away from the traditional, Cartesian, mechanistic ontology and epistemology of knowledge and learning in which both the "what" and "how" must be constructed through a conceptual understanding of learning. This subscribes to the pragmatic doctrine for understanding organization, organisations as social worlds. This represents a

way to understand the relationship between the individual and the collective as being both encompassing the organization system and the social agent as a potential active participants who may not engage in the firm practice.

The term practice, in the context of knowledge, develops from a distinguished line of philosophy, which is imbued with numerous diverse traditions of thought and understanding such as phenomenology, Marxist, and Wittgenstein's linguistics. Viewing learning through participation of the agent in a practice enables one to focus on the realisation, that in everyday practice, learning takes place in the flow of experience, with or without the agent's awareness. In every day firm activities and organisational life, work, learning, innovation, communication, interpretation and history is co-present in practice. Heidegger (1962) and the phenomenological school used the term "Dasein" to denote this "being-in-the-world", whereby subject and object are indistinguishable, in which they are both part of a situation and exist in a social and historical setting.

Practice may be viewed as the emergent order which arises from pre-reflexive and reflexive domains which gives the firm the necessary order and continuity of that practice. Practice connects knowing and doing, conveying the image of materiality, and of fabrication. As such knowledge does not arise from scientific discoveries but rather it is fabricated through the practice of knowledge production and reproduction. Practice conveys the contingent conditions and materiality of the world of the worlds into knowledge. The study of knowledge in practice can follow a similar methodological pathway as identified by Latour (1987) in which agents identify ways in which they associate the various elements that make up their social and natural worlds. A practice based theory of knowledge in action dismisses the distinction draw between order and disorder and places emphasis towards a disturbance – producing a system which is constituted by incoherencies, inconsistencies, paradoxes and tensions. The point of such a system is the realisation of not to go in search of a framework which comprises all of those reflections in a single space continuum, but rather to demonstrate how a practice-based theory of knowledge in action arises from multiple perspectives of social interactions.

Mouzelis (1995) suggests that social practice is centred around three dimensions, firstly the role dimension these are the duties which are associated with the carrying out of a particular role or task, for example a sales person and the expectations the marketing department would have for this person carrying out their role. Secondly the dispositional dimension these are the mental models, experiences and tacit elements of knowledge which the agent has developed from past experiences which will all influence the agent's actions (habits). This active presence of past experiences illustrates the role of history and how this influences the way in which the agent views the world. History as an active element of the agent influences how the agent views the world every time the agent's acts are through the means of habits which they have developed through past experiences. Finally the interactive or situational dimension the specific context of the activity the agent is engaged in when both normative expectations and dispositional dimensions are mutually activities; this instance is what gives social interaction its unpredictable emergent process. In the context of the firm's knowledge agent there will be certain elements of patterned behaviour in the case of daily routines and socialisation of his past experiences the agent formulates a certain way of thinking which is enacted or activities each time the agent acts.

These structured sets of rules which can be modelled perceive behaviour of learning as been formulated from the point of view of an observer, there is an important asymmetry between these rational, observable patterned perceived processes and the rules which actively take place in practice – order versus



disorder, rules as represented from rules as guides in practice (Boden, 1994; and Taylor, 1999). These can be placed in the context of the law of requisite variety (Ashby, 1956) in which a practice is always richer than any formal representation of it. The context of both time and space related aspects of the firm agents practice coupled to the rich experiences of the agent cannot appear in a formal account. This is to say that the level of interdependence of an agent upon agents in a human relationship which is not directly related to the formal rules as represented is critical in achieving the task.

The agents continuing engagement in social practice develops knowledge overtime. In which the development of competence or mastering of the practice is achieved rather than given, as the practice is a recurring situated and enacted process which cannot be assumed outside of that context. As agents in the SME enterprise re-structure their knowledge and knowing overtime, which is a continually evolving process, they also develop their knowledge as their practice changes. By adapting to new practices as they learn new ways of understanding and experiencing the environment in which they function. Schon (1987) demonstrated a case in which situated or localised practice often involves the agent reflecting or experimenting through the reconstruction of their knowledge and knowing, thus altering their perceptions. Barrett (1998) and Weick (1995) similarly argue that through experimentation and reflection in practice is viewed as a strong methodology and means towards innovation and learning. In other words when a firm agent changes their practice their knowing is altered. From such a perspective a firm agent can learn to know differently as they use means and opportunities to reflect on, experiment with and opportunity to improve their practices. In current organisational literature little is known about the process of knowing in complex organisations such as the knowledge based SME enterprise. Knowing, in the practice of the firm's agents is constituted by the continuing activities of both diverse and firm distributed agents. The indeterminate and inherent complexity, multiplicity and distribution of such settings compound how we can think about and understand knowing in the SME enterprise. What this suggests is the criticality of the role played by firm agents, and the importance of examining how these agents in their ongoing daily practices constitute knowing-how to engage in developing organisational knowledge and knowing. In that when a practice is defined as a situated recurrent activity of the firm agent, they cannot be spread into "a priori" fixed rule of static objects. But rather competence maybe seen as the process generated by the firms agents capacity to enact what is appropriate at a particular moment and time, with appropriateness seen to be necessarily contextual and provisional aspect of situated firm activity

### **A Re-conceptualisation of Learning Processes in SME enterprise**

The SME firm learning environment is one where the importance of a continually creative subject contextual based learning environment is emphasised (Gibbs, 2002, Rae and Carswell, 2000). While it is important to understanding a recognise that SME enterprise learns in this form of contextualised manner, through the process of action in their environments, Devins and Gold (2004, p.246) draw attention to the fact that "even though this form of learning is beneficial and directly relevant to work issues, it is not recognised explicitly as learning and occurs in an ad-hoc and random manner". An interpretation of this could be that the SME enterprise, as they experiment and learn, form a paradoxical situation of learning in order to manage a business on a day to day practice, while failing to recognise that learning has and is occurring and unable to understand the contribution of this continually developing knowledge for their working practice or the possible constraints (Cope, 2003; Sullivan 2000; Taylor and Thorpe, 2004). Learning in this situation is unreflective and uncritical, and fails to enable the firm to move forward, but rather places boundaries around the firm which keep it in a state of equilibrium by keeping the firm in a certain state

without the means to move the firm forward. The majority of SME firm as a consequent remain in a state of compounded cycle of adaptive learning rather than generative of emergent learning, (Senge, 1990; Gibbs, 1995).

The process of practice based learning in the SME firm involves the firm coping with the day to day activities of the firm, and with the changing environments, generative learning moves beyond these boundaries of adoption and requires the firm and the owner/manager to develop new ways of understanding the world in which they function, (Senge, 1990). Gibb (1995) proposed that in order for the SME firm to survive and develop the owner/manager and firm must be introduced to a new form of thinking and learning, which facilitates the development of knowledge, in order to move towards a form of higher learning and acquire the capacity to build and nurture experience based knowledge, (Rae, 2002; Rae and Carswell, 2000). This is supported by Cope (2005) who suggests that while much of the learning which occurs in SME enterprise as action-oriented, (Kayes, 2002).

Understanding how knowledge agents construct knowledge emerges from the interplay between tacit and explicit knowledge, allowing knowledge to naturally be inter-subjective and therefore inherently indeterminate and continually emerging. The knowledge and the sense of reality are shared by the individual and collective, in particular social groups and are sustained by social processes. From this perspective individual knowledge experiences are not considered in isolation, as knowledge in this case is the product of the interaction and co-evolution (Tsoukas & Vladimirou, 2001). In order for experiences and understanding to be thought of as relevant knowledge, this needs to be experienced as meaningful by the firms social collective agents. By conceptualising the agents of the firm as the collective knowledge in varying knowledge forms, and the working relationships this also means that agents are able to organise themselves and the knowledge they share by relying in their relationships and their connections in order to acquire new information. The advantage of this process firstly recognises the firm as a structure which is fluid but yet sensitive to the relationships, and needs of the connected agents in the firm's environment, in such a method to allow co-evolution behaviour between both the agents and their environments.

In order for a firm agent to learn through and from experience, the firm agent must engage and develop experience from the physical environment and construct some form of conscious experience. This allows the agent to develop connections to both the past and the present, in which the agent can learn from these relational experiences. In summation, the content of pragmatic based assumptions of knowledge and learning is to develop experience and draw knowledge from this experience. The method is started through the process of practice, in which the firm agent uses the mode of inquiry or reflective thinking to understand and define problem areas. Through the mode or practice of inquiry the agents gains experience and knowledge. Experience and inquiry are processes which cannot be limited to the individual conscious mind or body, knowledge or emotion, thinking or action, but rather encompasses all of these elements.

This perspective understands knowledge not as a static of given but as a process of produced and reproduced in recurrent social practices, (Lave, 1988; Tsoukas, 2001). A practice-based view of the knowledge in the SME enterprise leads one to understand knowing as an emergent which develops from the day to day firm activities, embodied through the use of tacit knowledge and experiential learning, and embedded, grounded in the socio-historic context of the agent's lives and working relationships, this presents an area of organisational science which has remained relatively unexplored. By drawing attention to the role of tensions and

processes of learning that define its emergent nature. These tensions not only suggest towards the dynamic nature of learning, they also provide understanding as to why learning is a social process and as a result has the ability to sustain a firm in continuous tension, thus enabling the firm to change in the context of an uncertain environment. Through a practice-based view, the paper seeks to draw recognition to the changing nature of knowledge in the SME enterprise, by shifting attention to the situational nature of knowing-in-practice (Orlikowski, 2002).

## **Conclusion**

The paper attempts to move beyond previous studies in the subject domain, which tend to merely assess or measure learning. In order to draw a new and wider element to this discussion a new set of understandings of both knowing and learning must be established, through developing new and changing ideas and alternative perspectives (Chiva, 2003). Thus allowing the conceptualisation of new theoretical positions with regard to knowledge and knowing in the SME enterprise which move away from the traditional mechanistic domain, which depict knowledge as the static result of programmed resource focused agents and that suggest that knowledge can be stored, transmitted and circulated to other agents able to assimilate it into some form of mental or material repository.

A strong dialectical approach is adopted in this paper, in which individual knowing and collective knowing stand in an emergent relation, which is represented in the agents ongoing engagement or actions in social practice in which learning occurs. Stacey (2001) holds that learning is the activity associated with interdependent agents. Further studies have suggested how firm learning arose from social practice that were creatively realised by knowledgeable agents in the firm while being enabled and constrained by those very social structures. The research argues that knowing is situated in action, as the circumstances of action shape tasks, (in which knowledge is a collective element), as practices are distributed socially through the inter-subjective process of social relationships between agents in the firm, rather than being a mere internal manipulation of ideas.

Local knowledge is contextual knowledge, knowledge that develops in interaction among agents and develops out of experience and much of it is tacitly known – “a kind of non-verbal knowing that evolves from seeing and interacting with an agent over time (Hafner, 1999). The local firm agent is far more knowledgeable about the task at hand than those without such experience, expertise which is embedded in local knowledge in intimate familiarity with and understanding of the particulars of the local situation. As Greenwood and Lewin (1998) note local knowledge is complex, highly differentiated and dynamic. In other words local firm knowledge is situational but this does not mean that the localised knowledge is lacking in expertise or divergences rather it is the character of expertise which is different this local knowledge legitimates the experimental contextual as a type of specialisation equal in value. This draws focus on knowledge as a social action and as an organisational practice. In order to address the challenges of the knowledge economy, the SME enterprise needs to continuously develop new working practice and knowledge which shape and are reshaped by the manner in which firm agents relate to each other both within and across the firms social network.

A practice-based approach focuses towards, the point of action, which enables the paper to observe knowing as an intimate recursive feature of organisational life, the local in which traditional dualisms lose their meaning, in the specific context of real time practices, is previously deemed knowing and doing are impossible to be conceived as separate, in that the knowing subject and the known objects cannot be treated in isolation and opposed to one another, repetition and

innovation, the given and the emergent co-exist and presuppose one another, (Gherardi, 2000; Blackler and McDonald, 2000). This is to say that the body and the material dimension of the human agent's existence cannot be excluded from the process of the mind, as the inscribed, routinised, and firm body, including its artefacts, and knowledge, just as the inscribed, trained and routinised human agents mind. Through the establishment of action in the context of real firm practice, knowing and knowledge are not opposed in which competent performance always presupposes an enabling and constraining context of action.

The practice-based view of knowing in the SME enterprise focuses towards the sensitivity to what is local, temporary, and partially connected, emphasising that traditional institutions, and culture, such as knowledge and the firm are verbs as opposed to nouns. The process, relational, constructive and situational ontology involves a specific epistemic sensitivity and set of methodological preferences, which allows the paper to be consistent with the conceptual grounding of the approach suggested. The approach which the paper suggests directs and focuses the papers attention toward what firm agents do, and say, to the environment, artefacts, of life made of the details and events that constitute the texture of everyday action and organising. The study of everyday practice in this regard needs to constitute a major concern for social scientists, in order to understand the dynamic fluctuation of practice and knowing-in-practice the paper must focus attention towards the human action agents, as practice is better observed when some form of "breakdown" occurs in the entrenched firm practice or when some shift or change requires the system to re-align the extent configuration of practice.

The development of knowing in practice denotes a reality in which firm activities and knowing have a specific time and space, a context in which they are always situated. The latter communicating the view that competent action occurs within a material historical and soci-economic defined moment in time, which is not pre-given, but rather emerges as the resultant process and conditions put in place by the practice themselves. This situational contextual dynamic thus offers the suggestion that knowing as well as knowledge and the world are sets of accomplishments, transient effects, and dynamic alignments which by their nature bear their own demise. The world of practice is one, which remains in constant flux in which persistence and change co-exist, because they are not conceptualised as being opposed to one another (Bauman, 1990). The practice-based approach constitutes a promising way to understand knowing in the SME enterprise. The process and the thematic identification of the richness and importance of what is tacit, what is familiar, but more importantly it is more an agile tool with which to understand the social complexities of the modern organisational world (Law & Mol, 2002).

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