

Knowledge-based Management Particularities in Small and Medium-sized Enterprises in the North-Eastern Region of Romania

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Abstract: *In Romania, small and medium-sized enterprises play an essential role in economic life; they have special features that make the adaptation to the knowledge-based economy easier. If the managers of some successful companies in Romania were asked about the value, structure, management, effects, etc. of the company's intellectual capital, most of their answers would probably be limited to assessments of their patents, product trademarks and IT programs held. At the same time, in an intuitive manner, the answers would also refer to the level and form of training and the talent and experience gained by the employees.*

The present paper identifies the particularities of knowledge-based management and focuses on the importance of intellectual capital and the benefits it generates in general and in particular for the SMEs in the North-Eastern Region of Romania, also exploring the role of the entire process to provide a valuable human resource as a support for performance increase.

The results of the present research, assisted by certain concepts from the specialized literature regarding the role and importance of knowledge, define the competitive advantages of knowledge-based management. Knowledge, as an intangible asset, has proven to be a strategic resource, and the creation of knowledge is a basic competence of present-day organizations. Knowledge is no longer seen as an objective, scientific entity, but as an integration of the subjective and the objective, able to reflect a part of the economic reality.

The research highlights the wish to implement diligent recruitment strategies, which are devised in close connection with the reputation that large competitors have, to motivate the opportunities of working in small and medium enterprises that are dynamic and innovative, to clearly define in the recruitment process the requirements that valuable employees should meet from the organization's

point of view, to ensure communication with employees, to offer the guarantee of advantages if they choose to work in that particular enterprise to the detriment of large competitors, to have as objectives the devising of an employee-centered image ("employer brand") with stress being laid on communication and visibility, including through the website of the organization, social media, promotion of the organization's message, promotion of models created in the organization and of its performances, to promote the results of the so-called advantages which are too good to refuse ("additional employee benefits").

The small- and medium-sized enterprises in the North Eastern part of Romania that have understood the importance of intellectual capital use knowledge-based management as an instrument to adapt to the ever-changing environment, by way of the timely identification of opportunities and risk avoidance, a behavior that overlaps with the strategic orientation of the company, understood as its ability to position itself in such a way as to generate and maintain its competitive advance in the long run.

Keywords: *knowledge-based management, SMEs, knowledge, intellectual capital, competitive advantage, sustainability, convergence, competition, entropic model.*

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I. Introduction

In the context of the new economic tendencies, the mission of any small and medium-sized enterprise (SMEs) is to create value for the society, this being the only way to obtain competitive advantage. Davenport and Prusak¹ pointed out that in the 21st century, the main source of competitive advantage in an organization is the knowledge it holds, more to the point, how it uses it, and its ability to learn new things. In such a context, managers should focus on the organizational processes that are based on knowledge, as well as on the intellectual capital that can be classified under the generic term of knowledge-based management. Knowledge-based management developed as an integral part of operational and strategic management to consider dynamic processes of organizational knowledge.

The dynamics of organizational processes is a complex process in which we can include the generation, transfer, acquisition and, last but not least, loss of knowledge processes, as well as the intellectual capital generation and development processes. In the knowledge-based perspective, generating intellectual capital and implicitly on intellectual capital, there is a larger approach of the nature of knowledge generating intellectual capital and the way these should be managed. Knowledge can be found in abundance in organizations, but, its simple presence does not guarantee its use, the true value of knowledge stemming from its reuse.

Nonaka and Takeuchi² explain that in an economy where the only certainty is uncertainty, a certain source of durable competitive advantage is knowledge.

Over the last decades, knowledge³ has become an important force of economic growth and therefore it is considered to be an important variable in new economic development theories and models. Although knowledge has been for a long time an important factor of economic growth, economists are currently exploring methods to directly link knowledge and technology with economic development and

¹ T.H. Davenport, L. Prusak, *Working Knowledge* (Boston: Harvard Business School Press, 1998).

² I. Nonaka, H. Takeuchi, *The Knowledge Creating Company: How Japanese Companies Create the Dynamics of Innovation* (Boston: Oxford University Press, 1995).

³ www.oecd.org, p. 7.

productivity increase. For this purpose, investments in research and development, education and training and in the new managerial structures are key elements.

Since intellectual capital is a broader term than knowledge, its analysis is a combination between the resource-based theory and the knowledge-based theory; it includes them but is not limited to the two. Therefore, the managerial challenges corresponding to a knowledge-centred economy have undergone multiple changes in comparison to that of an economy where material resources were the key elements of competitive advantage. In the knowledge-based economy, the main challenge is the building, combination and integration of all employees' knowledge in an organizational framework.

We all agree⁴ that contemporary society relies increasingly on knowledge, and only those organizations that can identify, use, create and develop active knowledge will succeed in the new era. This consists in the creation of an environment where knowledge can be assimilated, transferred and used with ease, and investments in knowledge will lead to an increase in productivity and efficiency.

In Romania, small and medium-sized enterprises play an essential role in economic life; they have special features that make the adaptation to the knowledge-based economy easier. If the managers of some successful companies in Romania were asked about the value, structure, management, effects, etc. of the company's intellectual capital, most of their answers would probably be limited to assessments of their patents, product trademarks and IT programs held. At the same time, in an intuitive manner, the answers would also refer to the level and form of training and the talent and experience gained by the employees.

Chance may favour, why not, the SMEs in Romania, as well: intellectual capital is built up irrespective of the financial power of the organization in question. The new type of management implies, in general, the exchange of information and knowledge that people manage and accumulate with much ease, due to the specific infrastructure of present-day informational society. Thus, the premises are created for a "small company" to become a "large company" in quite a short while. This is also possible because the "knowledge" resource is the only one that is inexhaustible and can be used in two different places at the same time. Regarding these intangible assets, one might stress that these should be managed with much care, and they should be permanently developed.

The present paper identifies the particularities of knowledge-based management and focuses on the importance of intellectual capital and the benefits it generates in general and in particular for the SMEs in the North-Eastern Region of Romania, also exploring the role of the entire process to provide a valuable human resource as a support for performance increase.

⁴ D. Adhikary, „Knowledge Management in Academic Institutions,” *International Journal of Educational Management* 24(2) (2010.): 94-104.

II. Approaches regarding knowledge-based management in SMEs

Through the use of information selected from specialized literature presented in this study, we could identify particularities of knowledge-based management in SMEs in general, and in particular, in the SMEs in the North-Eastern Region of Romania.

In a study⁵ regarding the way in which knowledge-based management is seen and applied in SMEs (on a sample of 49 participants), in comparison to large companies (sample composed of 46 participants), it was proven that the SME sector is less advanced in the knowledge-based management area and is less based on social interaction (in comparison to large companies). At the same time, for SMEs the “form” of knowledge largely depends on the changing of employees.

Other studies⁶ have investigated the importance of knowledge for key-employees, the role of knowledge and its impact on the durable competitive advantage of SMEs. The authors stress the role of strategies, instruments and techniques that could have positive effects.

Analysing the way in which knowledge-based management is perceived with the assistance of interviews, Nunes and other specialists⁷ in the field conclude that while SMEs, including those based on intensive knowledge, admit that the storage, sharing and dissemination of knowledge lead to innovation and productivity, their managers are not ready to invest, in the long run, in the objectives of knowledge-based management (they have difficulties in establishing the added value). Thus, the knowledge-management activities in SMEs will be carried out informally, rarely supported by information technology systems.

Bozbura⁸ questions the perceptions of top managers of 76 SMEs in Turkey regarding the extent to which knowledge-based management processes contribute to the success of companies. The study demonstrates that in most of the SMEs analysed, the knowledge held by employees is not sufficiently known and communicated among them. Managers fear that they will lose control over knowledge and thus close information channels. Knowledge entries are therefore also limited.

Other specialists⁹ investigated 26 SMEs (the questionnaires were addressed to top managers, department managers and staff involved in the decision-making process), with a view to examining the way in which knowledge-based management and learning functions are used in Iranian SMEs. Based on the results obtained, they stated that there is no relationship between the organization size and the knowledge-based management need. At the same time, most SMEs in Iran are still traditional,

⁵ M. McAdam, R. Reid, „SME and large organisation perceptions of knowledge management: comparisons and contrasts,” *Journal of Knowledge Management* 5(3) (2001): 240.

⁶ C.O. Egbu, S. Hari, S.H. Renukappa, „Knowledge management for sustainable competitiveness in small and medium surveying practices,” *Structural Survey* 23(1) (2005): 7-21.

⁷ N.B. Nunes, F. Annansingh, B. Eaglestone, R. Wakefield, “Knowledge management issue in knowledge intensive SMEs,” *Journal of Documentation* 62(1) (2006): 101.

⁸ F.T. Bozbura, “Knowledge management practices in Turkish SMEs,” *Journal of Enterprise Information Management* 20(2) (2007): 209.

⁹ M. Jafari, M. Fathian, P. Akhavan, R. Hosnavi, “Exploring KM and learning in Iranian SMEs,” *Vine: Journal of information and knowledge management systems* 37(2) (2007): 207-218.

and their school of thinking belongs to the industrial era. In other words, SMEs in Iran do not correspond to the requirements of the “knowledge era”.

Pillania¹⁰ analysed strategic aspects regarding knowledge-based management within 96 SMEs in India in the field of auto parts and components. Three questionnaires were applied addressed to international experts (30), Indian experts (30) and auto parts manufacturers (36). Study conclusions show that the knowledge-based management strategy is neither well defined, nor aligned with the overall company strategy, in most of the studied companies. At the same time, top managers are more active and support knowledge-based management initiatives.

In another study, Sparrow¹¹ examines the existence of a different approach than that of knowledge-based management development in SMEs. Through a survey conducted in 33 companies in Great Britain, the author identifies four different patterns of practices: „uncommitted” companies, companies with a “comprehensive knowledge management practice”, companies focused on “knowledge ownership” and companies focused on “learning and co-production”.

Another study was conducted by Fink and Ploder¹², by interviewing a number of 36 experts (executive managers) from Austria, Switzerland and Lichtenstein. The authors reach the conclusion that SMEs in Austria, Switzerland and Lichtenstein carry out four of the knowledge-based management processes: identification of knowledge, gaining of knowledge, knowledge distribution and preservation.

Regarding the perception on knowledge-based management and its implementation, Edvardsson¹³ discovers that Iceland’s SMEs have a non-systematic approach regarding the sharing and use of knowledge; only a small number of Iceland’s SMEs have a knowledge-based management strategy and most often they use unsophisticated information and communication technologies.

Omerzel and Antoncic¹⁴ deem that, usually, SMEs do not have important financial resources that could be invested in goods. Therefore, they mainly compete on the know-how base and are thus bound to use knowledge to develop competitive advantages.

Durst and Wilhelm¹⁵ examine the way a medium-sized enterprise with a low turnover identifies and manages its critical knowledge. Using in-depth interviews, they found that the company members are aware of the potential “knowledge wear”

¹⁰ R.K. Pillania, “Leadership, knowledge management and sustainable growth: A spiritual dimension,” *Values-Based Management* (2013): 57-66.

¹¹ J.C. Sparrow, “Classification of different knowledge management development approaches of SMEs,” *Knowledge Management Research & Practice* 3(2005): 136.

¹² K. Fink, K. Ploder, “A comparative study of knowledge processes and methods in Austrian and Swiss SMEs,” *ECIS Proceedings* (2007): 704-715.

¹³ I. R. Edvardsson, “Knowledge Management and SMEs: The case of Icelandic firms,” *Knowledge Management Research & Practice* 4(4) (2006): 275-282.

¹⁴ D.G. Omerzel, B. Antoncic, “Critical entrepreneur knowledge dimensions for the SME performance,” *Industrial Management & Data* 108(9) (2008): 1182-1199.

¹⁵ S. Durst, S. Wilhelm, *Knowledge management in practice: insights into a medium-Prometheus* 29 (1) (2011): 1-16.

danger, but certain restraints (lack of time, organizational structure, etc.) prevent them from changing this situation.

In the study conducted by Soon and Zainol¹⁶, analysing the creation/purchase of knowledge, it is stated that the importance of the knowledge creation process is given by certain factors that facilitate this process, such as learning and skills. The survey conducted in Malaysia (110 answers) shows that learning and skills are positively connected to the knowledge creation process, contributing to the organization's creativity and performance.

Making a reference to the transfer of knowledge¹⁷, other specialists support the creation of knowledge exchange virtual networks. This way, ideas, experiences and knowledge regarding the application of best practices and improvement possibilities are shared. In the end, this transfer of knowledge helps SMEs become more competitive.

Also regarding the transfer of knowledge, Fletcher and Prashantham¹⁸ analysed the process of knowledge acquirement used in the rapid internationalization of SMEs. The authors concluded that knowledge exchange is important for the fast internationalization of SMEs.

Kazemi and Allahyari¹⁹ deem that top managers should define clear objectives and rules to support knowledge-based management activities. Moreover, the knowledge-based management strategy should be developed resting on the business strategy in order to confirm that the objectives of knowledge-based management correspond to the company's strategic objectives.

Simply put, a knowledge-based management strategy represents the process of generating, coding and transfer of implicit and explicit knowledge in an organization, and the obtaining of correct information for the right people at the right time. The leaders in the business field²⁰ tend to use four main strategies that allow the organization to manage knowledge. These management strategies depend on culture, leadership, technology and measurement instruments. The knowledge strategy defines the needs, methods and actions required so as to reach objectives.

For Firestone and McElroy²¹, the main element of any knowledge-based management strategy is represented by the application of a set of clearly identified

¹⁶ T.T. Soon, F.A. Zainol, "Knowledge management enablers, process and organizational performance: Evidence from Malaysian enterprises," *Asian Social Science* 7(8) (2011): 186.

¹⁷ A. Perez-Araos, K.D. Barber, J.E. Munive-Hernandez, S. Eldrige, "Designing a knowledge management tool to support knowledge sharing networks," *Journal of Manufacturing Technology Management* 18(2) (2007): 153-168.

¹⁸ M. Fletcher, S. Prashantham, "Knowledge assimilation processes of rapidly internationalising firms: Longitudinal case studies of Scottish SMEs," *Journal of Small Business and Enterprise Development* 18(3) (2011): 145-501.

¹⁹ M. Kazemi, M.Z. Allahyari, "Defining a knowledge management conceptual model by using MADMP" 14 (6) (2010): 872-890.

²⁰ T.H. Davenport, L. Prusak, *Working Knowledge* (Boston: Harvard Business School Press, 1998).

²¹ J.M. Firestone, M.W. McElroy, "Doing Knowledge management," *The Learning Organization* 12(2) (2005): 189-212.

criteria in order to ascertain whether the strategy can actually be described as a knowledge-based management strategy. For this purpose, the authors have established a set of questions as evaluation criteria, such as:

- is the purpose of the strategy that of efficiently identifying and solving the problems the organization faces?
- does the strategy clearly recognize and identify the differences between knowledge and information?
- in case the strategy aims to identify information that will be used to solve the organization's problems, are there methods/instruments that will be used at a later time to ascertain to what extent the information led to problem-solving?
- in case the strategy is conceived to evaluate the knowledge level, is there a Benchmark to measure this level (including knowledge importance and success)?
- in case the strategy is conceived to improve the learning process, on the individual or group level, are all above-mentioned criteria met?
- in case the strategy is conceived in order to improve knowledge management, is there a Benchmark to evaluate aspects such as problem identification, resource negotiation or assignment so as to insure knowledge management?

SMEs can draw many benefits from a knowledge-based management strategy. Practically, if there is a knowledge-based management strategy, the possibilities are: the reduction of intellectual capital loss (through the individuals that leave the organization), reduction of costs through economies of scale in obtaining information from outside suppliers, reduction of knowledge-based activities' redundancy, productivity increase through (fast and easy) access to knowledge, increase of employees' satisfaction (through personal development and accountability).

The potential benefits of knowledge-based management²² can be summarized as follows:

- "enhancement" of knowledge in the organization through: the improvement of the ability to support the organization's competitive advantage, immediate results in solving problems at the organizational level, improvement of services offered to customers, continuous development and improvement of the company's workforce quality through the training, stimulation and motivation of employees, setting a formalized knowledge transfer system (best practices, learned lessons, etc.), improvement of the process of outsourced knowledge acquisition and use process, improvement of the knowledge integration process within the company, consolidation of relationships with the clients (a better interaction with the client), development of the company's culture to increase the success of the organization, improvement of employee loyalty, consolidated

²² C.O. Egbu, S. Hari, S.H. Renukappa, "Knowledge management for sustainable competitiveness in small and medium surveying practices," *Structural Survey* 23(1) (2005): 14-15.

- business development and creation of opportunities for the organization, improvement and rationalization of internal administrative processes;
- improvement of performance and productivity by solving organizational problems;
- encouragement of the innovation process;
- identification of knowledge gaps;
- identification of knowledge flow;
- identification of knowledge assets;
- efficiency improvement;
- knowledge exchange with the clients.

In conclusion, the best reason to create a knowledge-based management may be the strategic need to ensure a competitive advantage on the market.

III. Research methodology

The main result of this research process is the development of the entropic model for the evaluation of organizational intellectual capital, with the following structure: cognitive capital, emotional capital, spiritual capital. The selected model has the purpose of supporting the SMEs in the Northern Region of Romania in their endeavours to have an efficient management of intellectual capital.

The research is based on two components:

- The fundamental economic research targets, as its main objective, the analysis of the aspects regarding the general development level of the organizational intellectual capital and the clarification of the major theoretical concepts employed in the current research.
- Applicative economic research, which has as main objective the implementation/use of the theories and concepts suggested by the fundamental research in the economic practice. In this case, we have carried out a qualitative analysis based on a semi-structured interview with managers of SMEs in the North Eastern part of the Romania, a region that is composed of six counties: Bacău, Botoșani, Iași, Neamț, Suceava, and Vaslui.

The semi-structured interview enabled the collection of information directly from the interviewed individuals, after having previously studied the research theme, which made it possible to select the aspects that were to be covered.

The interview guide included pre-defined questions, but also offered the interviewer the possibility to deflect from the pre-set plan to ask specific questions.

The interviewer introduced the topic regarding the perception of SMEs' managers on intellectual capital and knowledge-based management, the general development level of the organizational intellectual capital, the strategies used in the recruitment/loyalty schemes of the valuable human resource, as well as a series of defining elements about these terms. Later, the interviewer guided the discussion asking specific and additional questions to reach all research objectives.

Research has a primordial role in understanding the mechanisms of generating organizational intellectual capital, which is one of the most important issues in the

development of the competitiveness and of the competitive advantage of an organization, as well as the convergence with the performances and best practices of the SME sector.

The purpose of this interview is to create a model that enables an in-depth and fine analysis; it is useful to evaluate the generation, development and valorization of organizational intellectual capital, to create added value and obtain a sustainable competitive advantage and it includes a series of affirmations based on organizational integrators (mission and vision, management and leadership, organizational culture, technology), as well as knowledge transfer processes. These are found in each component of intellectual capital.

The research objectives target the:

- determination of the degree to which SMEs' managers know and apply intellectual capital and knowledge-based management concepts;
- determination of the degree to which the intellectual capital concept has been promoted in the enterprise;
- inventory of the intellectual abilities that the employees of SMEs hold;
- determination of the way in which employees are involved in the decision-making process;
- identification of employee motivation methods;
- inventory of training forms;
- methods of managing the role of talents and knowledge (talent shortage);
- strategies and policies to attract a motivated human resource that possesses high professional knowledge ("valuable human resource");
- identification of values that lie at the basis of building organizational culture in SMEs;
- setting the criteria that determine the suppliers' selection;
- determination of client attraction elements;
- identification of SMEs' competitive advantages in general and among various categories of SMEs (large, medium, small and micro) in the North Eastern region of Romania.

Regarding data collection, this was made through the application of specific "face to face" interview techniques, while another individual managed the forms (the operator). The selected sampling method was non-random sampling.

This research process applied to SMEs in the North Eastern region of Romania allows a detailed and proper analysis of the intellectual capital in such an enterprise, due to its ability to identify the structural dynamics of intellectual capital and knowledge-based management.

IV. Research on knowledge-based management in small and medium-sized enterprises in the North Eastern Region of Romania

The applied analysis is structured on three directions:

a) defining the profile of the interviewed individual;

The profile of the interviewed managers has the following structure depending on sex and age:

- high-school education is the latest education degree for 60% of men aged over 60, 50% for women of the same age;
- university education for 100% of male respondents under 25 is the latest education degree and in case of female subjects we have the same 100% percentage – the age interval for this category being between 45 and 59 years old;
- 33,33% of male respondents aged 35-44 have a seniority between 10-14 years in comparison to 27,27% of females of the same age;
- 37,5% of women aged between 45- 59 have a seniority over 20 years in comparison to 33,33% of men with the same age.

b) defining the profile of the managed organization;

Following the processing of statistic data published by the Trade Register, the Reports of Romania's Chamber of Commerce and Industry, the structure of SMEs in the North-Eastern region of Romania, based on the number of employees, is the following:

- 65% are large SMEs (more than 250 employees);
- 58% are medium SMEs (50-250 employees);
- 42% are small SMEs (10-49 employees);
- 35% are microenterprises (under 10 employees).

From the point of view of the organization's profile, the structure of the researched sample is the following:

- 27% are medium SMEs (50-250 employees);
- 42% are small SMEs (10-49 employees);
- 31% are microenterprises (under 10 employees).

c) the third direction targeted the formulation of questions as a formal support, using these as a guide of the semi-structured interview, to be later filled in with the interviewers' observations and details.

The questions were predefined in a logical succession, as set following the brainstorming of the experts' team from the Faculty of Economic Sciences (4 academics with management and business administration expertise). Following the completion of the discussion, the guide was filled in with additional information that resulted from the face-to-face discussion and was later centralized. During the semi-structured interview we interviewed the managers/ administrators of 50 SMEs in the North Eastern region of Romania; interviews were held at the headquarters of the SMEs between February and April 2019.

During the discussions with the expert team of the faculty, special attention was paid to the previously stated general objectives, as well as to the identification of the main factors that may cause talent shortage in general, and in particular in the SMEs sampled in the present research. The results were compared to those from the “Talent Shortage Survey, ManpowerGroup” (2018), limiting the research to the first five determinant factors for the SMEs in the North-Eastern Region, namely:

- absence of candidate recruitment policies (27%);
- lack of the candidates’ professional experience (18%);
- lack of professional competencies (17%);
- very high wage expectations of the candidates (12%);
- lack of interdisciplinary skills (9%).

The time frame assigned for an interview was between 30 and 40 minutes. The discussions were mainly free, with open questions, abiding by the interview guide. Nevertheless, they were generally oriented towards obtaining relevant information for the researched issues, and answers were analysed following each interview.

A series of elements and themes that were complementary to the research topic surfaced following the analysis of answers, which were grouped in categories and organized on subjects. At the same time, we have identified certain recurring subjects that contributed to a better definition of research results, as follows:

- The employees’ skills and intellectual abilities are considered personal characteristics that the employees require in order to carry out the work corresponding to their position. Here we can include aspects such as: education, technical and professional knowledge, academic qualification, the training and experience that the employee needs, manual and intellectual abilities, interpersonal skills and team management abilities.
- A vital element in the evaluation of intellectual capital is the need to harmonize the exceptional skills and abilities of employees with the ever-changing requirements of their covered position, and to influence their behaviour.
- We should also mention that employees as well, not only enterprises are owners of human capital, and for this reason we must take into consideration the risk that employees might leave the organization and thus cause a disruption of intellectual capital. Therefore, knowing and understanding the primary constituents (competences of employees and intellectual ability), in a profound way is a major premise at the basis of human capital evaluation.
- In the knowledge-based economy, the main challenge is the building, combination and integration of the knowledge of thousands of employees in an organizational framework. This consists in the creation of an environment where knowledge can be acquired, transferred and used easily. Therefore, modern organizations that want to accept the new challenges of the knowledge-based economy will have to evolve towards becoming knowledge generating, integrating and protecting organizations.
- Investments in knowledge lead to an increase in productivity and efficiency. The need to train employees reflects the wish to encourage employees to share their

knowledge with co-workers, either directly or indirectly and it is perhaps the most natural way to transfer knowledge from one individual to another.

- Enterprises are making efforts to reward the work of their employees and keep them for as long as possible, in order to benefit from their individual competencies. The importance of human capital in the structure of intellectual capital is given by the implication of all of its components in the carrying out of all activities taking place in SMEs in the North Eastern part of Romania.
- An open culture encourages people to use their ideas and knowledge in common, thus using various communication channels.
- At the same time, an open culture is that where people are involved due to a feeling of commitment and solidarity.
- Interviewed managers admitted that the existence of values that are known, accepted and embraced by employees could contribute to the increase of loyalty and attachment degree to the company, making employees more committed to reach common objectives and leading to an increased efficiency and high performance.
- The management of pleasant and efficient relationships with customers should be an important instrument in gaining their loyalty, along with the offered value.
- The value of the relationships that the organization has with its clients should be improved with the relations with the stakeholders, without which the organization could not survive. Thus, the relational capital becomes an intangible asset that is based not only on maintaining good relationships with other SMEs in the North Eastern Region of the country, individuals or groups of individuals, but also on the development of these relationships that leads to the increase of the performance of these SMEs.
- Relational capital is also important because it contributes to the value potential increase of the human and structural capital, due to the ability of the SMEs in the North Eastern part of the country to interact with the stakeholders in a positive manner.
- The integration and development of the intellectual capital in SMEs in the North Eastern region of Romania can lead to an increase in the business environment competitiveness, can draw new investors and financing sources, can generate an active SME map and can increase their level of acceptance on international markets.
- A large part of the analyzed SMEs are active on the international market, which made them adopt managerial decisions regarding the implementation of research-development and innovation programs.
- Regarding the last question in the interview guide “Do you think that the contribution of the intellectual capital to the development of the Romanian business environment is useful?”, all interviewed managers unanimously stated that they think the contribution of intellectual capital to the development of Romanian business environment is essential, and that it is the only element that can accelerate the gap recovery between Romanian economy and western business.

The centralization of the answers given by the managers participating in the interview regarding concepts such as: human capital, structural capital, relational capital, cognitive knowledge, emotional and spiritual knowledge of employees is as follows:

Table 1. The centralization of the answers given by the managers participating in the interview

Terms	The answers given by managers who were interviewed
Human Capital	<ul style="list-style-type: none"> - all the knowledge, abilities and competencies of the human resource; - knowledge that includes the creativity of employees, used to solve problems in order to generate “economic value”; - an important resource for any organization focused on valorisation of human potential; - a long-term investment; - a possible competitive advantage; - management of intangible components of human resource (ideas, attitude, innovation, knowledge, etc.) and identification of the best-performing success strategies.
Structural Capital	<ul style="list-style-type: none"> - brand image; - support infrastructure of the enterprise; - hardware and software processes as well as organization’s databases that the human resource uses in its work; - brand position and place in the mind of the consumers; - organization’s know-how; - techniques and technology in the organization; - inventions and innovations plan; - copyright; - intangible assets of the organization, required to achieve its activity targets.
Relational Capital	<ul style="list-style-type: none"> - average and long-term relationships with customers, suppliers, partners and employees represent the relational capital of an organization; - trademarks and brands (that have value only by virtue of the relationship with the customers); - relational capital has a significant impact on the brand and market value of the organization; - one of the most important objectives of the organization should be the permanent increase of relational capital; - is an important component of intellectual capital.

Terms	The answers given by managers who were interviewed
Cognitive Knowledge	<ul style="list-style-type: none"> - knowledge that can be communicated or transferred with the help of oral or written language; - theoretical or practical understanding of a subject; - relational structuring of acquired knowledge and creation of connection at the right time and in the right place.
Emotional Knowledge	<ul style="list-style-type: none"> - ability to interact and share knowledge among employees; - the emotional development degree of employees has a major impact on the way the organization is seen from the outside; - ease to set and manage durable relationships, etc.
Spiritual Knowledge	<ul style="list-style-type: none"> - system of employees' values, principles, beliefs; - represents knowledge that is pretty hard to observe without a careful study of employees' behaviour, and that directly influences the image of the organization, just like emotional knowledge.

These SMEs may be considered knowledge-based organizations since special focus is laid on: the existence of a clear vision, the building of organizational values that can also be found among the employees of the SMEs, the existence of a social responsibility policy, trained employees (most of them with high education degrees), human resource training programs, existence of patents or licenses, managerial focus on research-development investments, recognition of the importance of software through investments made to purchase them, encouragement of various methods to create and transfer knowledge from one employee to another, or towards the business environment, organization of various events for their employees, as well as practicing various methods to motivate employees.

The competitiveness of SMEs in the North Eastern region of Romania on the regional, internal and international market depends on the way their managers will understand the importance of managing their intellectual capital.

V. Conclusions

The results of the present research, assisted by certain concepts from the specialized literature regarding the role and importance of knowledge, define the competitive advantages of knowledge-based management.

Knowledge, as an intangible asset, has proven to be a strategic resource, and the creation of knowledge is a basic competence of present-day organizations. Knowledge is no longer seen as an objective, scientific entity, but as an integration of the subjective and the objective, able to reflect a part of the economic reality.

Knowledge is the basis of the organization's knowledge universe and its valorisation may ensure the success of any enterprise, irrespective of its size, number of employees, tangible assets it holds or its activity field. Even if the knowledge

concept is seen as somewhat vague, it is proven to be fundamental to understanding intellectual capital.

The analysis of the entropic model of intellectual capital represents the main result of this research process and integrates new concepts regarding strategic perspectives, intellectual capital, namely the shift from the static paradigm to the dynamic and innovative one. The characteristics of this model are: intellectual capital is a result of cognitive knowledge dynamics, of the emotional and spiritual knowledge; the potential of the intellectual capital can be turned into operational intellectual capital through the intervention of integrators; the dynamic abilities contribute to the renewal of potential intellectual capital through innovation and learning, and the vision of the leadership is the entropic force for strategy drafting and implementation.

Going through the research stages allowed an approach that is complementary to the principles that define the entropic model for the evaluation of intellectual capital, namely: cognitive capital, emotional capital, spiritual capital, adding the analysis of the aspects connected to the particularities of talent shortage management.

This approach is even more justified by the fact that the study aims to analyse “how” certain experiences or activities are carried out, “how” certain decisions are made, the importance and benefits of management endeavours.

As a particularity of the present research for SMEs in the North–Eastern Region of Romania one can also point out that most of the top managers are not aware of the competition with large companies, and of the pivotal role of the employees’ knowledge and talent.

At the same time, the research aims to find an answer to the concrete situation according to which, in most cases, it is difficult to attract a motivated human resource that has high professional knowledge, vision and entrepreneurial spirit, namely a valuable human resource. In this context, we could identify several factors that operate at the same time, with different intensities.

In the case of all investigated SMEs problems regarding the recruitment process could be identified.

The most recurrent case is that the complex recruitment process in SMEs draws insufficient candidates for the positions offered and among the candidates applying only few can prove they have the specific competencies for the position. At the same time, the wages offered are often an issue as the wage expectations of the employees are higher than those offered by the SMEs in the North-Eastern region. Among the observations specific to these SMEs we can point out:

- the lack of staff recruitment policies (“HR policies”) adequate to the sector, attractive and innovative ones that would make the candidate evaluate his potential and personal expectations, and harmonized them with the strategic and policies of the organization (“SME”) regarding promotion/ advancement in the career; we have seen cases when the recruitment process was not given enough attention, and was carried out through incoherent activities (“ad hoc”) without any procedures, or with stress being laid on quantitative aspects (“ticking” the action) without resources being assigned for the outsourcing of this activity, without stress being laid on recommendations coming from

employees or collaborators; to sum up, an unprofessional recruitment process takes place;

- quite frequent are the tendencies of SMEs to have as main objective the ensurance of a human resource that is “dedicated” to the achievement of the organization’s profitability indicators, without the same importance being given to their compatibility (including from the point of view of their professional training) with the responsibilities of the positions covered. In order to manage the case when the professional training is not significant in relation to the profitability of the SME, one can resort to the outsourcing of this activity to a specialized company, which may lead to the creation of the environment for the development of job-specific professional competencies, namely of the average and long-term qualities and advantages, an increase in the role of new technologies and methodologies to measure collective and individual performance;
- only 40% of the SMEs in the North Eastern region resort to outsourcing. In these cases, individuals who have expertise in knowledge-based management and talent-management are involved. The whole recruitment process thus becomes more efficient due to the application of the best practices in this new field of talent management.
- only 35% of the SMEs investigated in the North-Eastern region of Romania have as objective the recruitment and retaining of professional talent, budgeting their own resources so as to be able to ensure complementary “wage packages” (benefits, higher salaries, bonuses depending on the achievement degree of the organizational and personal performance indicators, other advantages).

In such a situation, each SME should take into consideration the competition on the market of candidates’ recruitment, stress being laid on the competition against large competitors:

- knowing the competitors’ market, of the possible “aggressive” strategies practised by large competitors, so that each SME may identify its strongpoints that can be the support of its own strategy built around efficiency and innovation, and the valorisation of an organization’s own resources;
- all candidates should be “stimulated” to be able to identify the advantages of being employed in a SME; this will help the organization design the tactics, strategies and budgets necessary to support the recruitment process and later the retaining / loyalty process.
- Many problems in this employment process are given by the size of SMEs (large, medium, small and microenterprises).
- Following the research done, we can conclude with a series of expectations that the candidates have when they participate in an interview for employment in the SMEs of the North-Eastern Region, such as:
- in the selection process there are many candidates who are not impressed by the perspectives offered by SMEs, thinking that especially in the medium and small SMEs more opportunities could be offered for their career or personal satisfaction, which means flexibility;

- similarly, they see medium and small enterprises (SMEs) as informal types of organizations, with flexible organizational structures, with stress being laid not on administrative aspects, but on assigned competencies, individual and group performances, expecting a flexible work schedule, a relaxing atmosphere at the work place, all of this meaning independence;
- candidates expect to be offered the proper conditions so that, as future employees, they should feel involved in the entire implementation process of innovative solutions in the management of the organization, which entails innovation;
- diligent management of the organizations' tendency to require from their employees to exceed their assigned competencies, the job-specific ones, which is an advantage both for the organization and for the employees who want to have the ability to gain new skills, that is visibility;
- the research evidenced the situation in microenterprises and small SMEs where candidates and employees have the feeling that they can improve and advance faster, that they can "burn stages" in their professional training, that they learn from the diversified experience of older employees and can cope with the challenges of the organization they are part of more easily, that is the advantage of advancing in one's career;
- all SMEs in the studied sample showed the common perception on the labour market that the spirit of unity and teamwork is decisive.

The research conducted in the 50 SMEs in the North-Eastern Region of Romania also reveals a series of reasons why candidates are reluctant to be employed in a SME:

- the training programs are not correctly drafted, or are inexistent; most SMEs do not devise training strategies for their employees on scientific bases, especially for new employees, thinking that by fulfilling his tasks the employee also gains specialized professional knowledge, that he is responsible for his own training and evolution, and that the enterprise is not the one to be involved in this process. A differentiation of the training curricula is suggested to make sure that those abilities to discriminate between knowledge and information are obtained and used in the process of solving possible problems that the enterprise and/or employee face(s);
- SMEs in the North-Eastern Region of Romania do not budget the benefits that could be offered to employees. In such a case all candidates/employees show reluctance if during the recruitment/loyalty process they are not convinced that the organization has the necessary resources to offer later wage increase/promotion possibilities, or to offer benefit packages;
- SMEs in the North-Eastern region of Romania cannot offer sufficient guarantees for the stability and continuity of activities, specifically of the job positions. In order to manage this situation, SMEs must ensure transparency regarding their experience on the market, the performances achieved, so as to inspire safety for the new employees from the perspective of job stability, as employees want be sure they will not be affected by unemployment or miss other, more advantageous, work opportunities. It is very important to inspire

the feeling of belonging to organizational culture, and the values that SMEs promote, namely the role and importance of knowledge, of performance as a result of the continuous learning process;

- work load: safety that overtime is paid, showing a tendency to avoid working in teams where reciprocal obligations are not clearly set.

Consequently, the research highlights the wish to implement diligent recruitment strategies, which are devised in close connection with the reputation that large competitors have, to motivate the opportunities of working in small and medium enterprises that are dynamic and innovative, to clearly define in the recruitment process the requirements that valuable employees should meet from the organization's point of view, to ensure communication with employees, to offer the guarantee of advantages if they choose to work in that particular enterprise to the detriment of large competitors, to have as objectives the devising of an employee-centred image ("employer brand") with stress being laid on communication and visibility, including through the website of the organization, social media, promotion of the organization's message, promotion of models created in the organization and of its performances, to promote the results of the so-called advantages which are too good to refuse ("additional employee benefits").

The competitive advantage of companies in today's economy does not lie in their market positioning, but in the development of knowledge as an intangible resource that is hard to replicate and in their use method. Moreover, "competitive intelligence" refers to the ability of an enterprise to obtain more and more relevant information and knowledge about the competition. This is confirmed by the results of data processing, indicating there are small and medium enterprises that generate and develop intellectual capital, and these SMEs can be characterized as intelligent, innovative and of high performance. Moreover, we notice from the qualitative component that the interviewed managers have identified intellectual capital elements in their enterprises and are aware of its importance in the development of their own business, and of the entire Romanian business environment, all the more so having created a hierarchy of the integrators depending on their operational intensity, so they do not consider them to be equal.

The small- and medium-sized enterprises in the North Eastern part of Romania that have understood the importance of intellectual capital use knowledge-based management as an instrument to adapt to the ever-changing environment, by way of the timely identification of opportunities and risk avoidance, a behaviour that overlaps with the strategic orientation of the company, understood as its ability to position itself in such a way as to generate and maintain its competitive advance in the long run.

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