

# LEADERSHIP CHALLENGES<sup>1</sup> FOR SME'S

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## **ABSTRACT**

*The present environment shows a tendency to increase its complexity, with many of its variables characterized by higher uncertainty, issues that place higher pressures on the companies and with a plus of difficulty for the SME's sector.*

*Under these conditions the task for knowledge based leaders for assuring a competitive position for their SME's become an objective that depends on their ability to build up a realistic vision and to take advantage of the opportunities that can be identified within the external environment, even in turbulent times.*

*The process of EU integration and the internationalization of the activities become a strategic option that has to be properly managed for increasing the company's market share, but also paying attention to the required competencies and to potential risks that such an effort could bring for an unprepared entity.*

**KEYWORDS:** *knowledge based leaders, leadership, SME's, EU integration*

## **1. Knowledge based economy and SME's**

People, as the organizations, find themselves in the situation where they assist to the appearance under different forms of the knowledge based economy and society. There is an opportunity and threat, at the same time, as the traditional, bureaucratic, conservative forms are placed under a high pressure for change.

In this direction, for many organizations, the major challenges is represented by their capacity for noticing the changes that are undergoing and for creating, for developing the knowledge based organizations. Many of knowledge based organizations took advantage of their status of learning organizations, that means organizations where the learning process have been favoured by an integrating vision of the managers and leaders.

The knowledge based SME's leaders focus over the opportunities offered by the new type of economy and the relationships that the organization can develop with all the stakeholders. We present further some :

- Emphasizing the central role that the human resources has
- Assurance of a correlation knowledge based management - organizational strategy – organizational culture
- The stimulation of the specialists networks, inside and outside organizations
- Fostering the individual and organizational learning
- Developing an organizational culture focused on the getting, dissemination and knowledge valuing

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- Existence of a clear system of objectives and permanent assessment of the performances
- Enhancing the cross-fields teams
- Flattering the organizations
- Economic and managerial decentralization
- Higher participation of the employees to the organization's activities

Organizations rely their activities on treating learning as a strategic process, of nature to substantially influence the getting and developing the competitive advantage on the medium and long term.

Learning investment becomes a priority for the organizations leaders, who transform themselves in learning and applying models for the novelties in the economic, managerial fields.

Developing a vision that regards the desired future is one of the most popular methods for planning and implementing the organizational changes, including its culture. Vision is an important attribute of the leaders and due to the complexity that the internal and external environment expose in the knowledge based economy.

Important is also the way in which the leader succeed to transmit their own vision to the potential followers. They interpretate through a range of individual and group processes the organizational events and made a decision related to what kind of models they are going to adopt for the future.

It is debated for a long time the powerful impact that the managerial culture has over the directing of the human resources towards the company's objectives achievement and getting the expected results. In elaborating and implementing competitive strategies, the companies management have to consider as an important component, the creation and development of an organizational culture, able to support the competitive advantage.

For appropriate exploitation of the opportunities offered by the knowledge based economy, the leaders must have holistic approach, regardless of the hierarchical level where they are. The variables considered in decisions grounding and implementation grow as number, but also as complexity.

That's why, the leaders will develop their capacity not only for learning, for understanding the knowledge, but also for transmitting and expliciting it, in order for it to represent and organizational treasure, able to make the difference in a competitive market.

The knowledge based leadership will manifest on the following coordinates, of the nature to assure the leaders and his followers success:

- Trust
- Analysis
- Vision
- Learning
- Innovation
- Relations
- Motivations

Leaders, in the process of communicating the vision they have and convincing the followers to support them, apply to the rational and emotional arguments. Sometimes, among them there can be conflictual situations that generate an additional stress over the leaders.

The emotional involvement is a strong factor that contributes to the group cohesion. The messages that they convey is that the leaders commitment is not only one to the surface, for personal advantage, but a correct relationship, where all the people involved can achieve their interests.

If there isn't any congruence, an emotional mutual commitment, the employees' actions will lack the energy, as they didn't internalized the values suggested by leaders. Under these circumstances, they usually apply to the formalized controlled procedures that can't be successful on a long term.

The individual self-commitment, integrity and identity erodes until to the disappearance, under the conditions that the manager/leader treat them only as objects that can be manipulated for reaching some objectives. The reactions resulted will be of motivation decreasing, both to the persons involved in the process, to the other employees who can notice the phenomenon and could result in powerful conflicts.

The leaders in the knowledge based organizations play a special role in setting the targets but, very important, they facilitate the identification and valuing the organizational learning sources.

More than this, the leaders assure a dissemination of the knowledge, but not in a simple form, without an understanding, but they explicit it and emphasize its utility. Proceeding in this way they assure a stimulative framework for the organizational staff, for being able to actively participate to the organizations acts and decisions, offering a higher motivation to the employees and new perspectives over the leaders – co-workers relationships.

In our days, challenges as globalization and competition at global level, transition from the industrial system to the new economy, technology and IT, issues that are related to the social responsibility, cultural differences a.s.o., things that clearly show the uncertainty of our future, unlimited quantities of goods and services that can't assure the material prosperity of the citizens regardless of country or society.

The two subjects – business and financial connexions – are critical for renewing the technology that is necessary for competitiveness, generally, and for meeting the international standards for product quality, particularly. And both are necessary if the SME's want an international approach, where to evolve with the real success chances.

## **2. Supporting the SME's for internationalization**

This aspect is the one that generate the dilemma at the leadership level within the SME's found in the internationalization process, as consequence of integration to European Union and better access to some markets.

Even if the smaller dimension of these companies can facilitate the getting of the some competitive advantages described above, the internationalization process supposes an efficient management, both at top and lower levels.

An internationalization process also requires a wide range of experts. A major issue of the international SME is represented by their small material base.

The dynamic entrepreneurs investigate the new opportunities and desire to achieve personal development, as reasons of the entrepreneurial initiatives. These are critical towards the way in which is understood the creativity development within the educational process, they consider that the intellectual property protection is inadequate and they think that the research and development activities are to be improved.

The europenization and internationalization process requires in most part of the cases new informational systems, new technologies and new products that suppose significant entrances, resources and an effective coordinating activity.

For getting an advantageous position on the international market and it is appreciated that the SME's have to cooperate, to focus the efforts in the view of achieving the interdependencies to the level of these companies.

The leaders have to be dedicated for the important subject: how to be promoted SME's for European competitiveness and, why not, the global one? What ways to use for reaching the SME's competitiveness? A leader will have recommendations for all the stakeholders involved in the SME's consolidation. Particularly, it is focused on what the experts consider to be the most efficient policies and programs for building competitive SME's.

The knowledge based leader will know how to promote an attractive image in the market and to assure a high competitiveness through financing technology and business links with large and SME's.

The leader in the field for using the connections for technology transfer to the SME's is USA. But, at the EU can be emphasized the main measures used by the governments, by some companies, but also the spectacular results to some of them.

First, we don't have that the knowledge based leaders to miss the results, and thus, when they have initiatives for expansion, to better understand their actions. In the past, most of the companies expanded due to companies development on external and internal markets. Among the elements that affect the fast development of a company, the dynamic entrepreneurs enumerate the employees' orientation towards the meeting of the customer needs.

The dynamic companies target continuously the sales on the international markets; they plan the new development of the products for new markets and, later, they become more and more ambitious in buying new companies.

The development of international companies is, however, connected to the capability of SME's to build up a learning culture, able to support a competitive evolution in medium and long term.

Knowledge based organization means knowledge based employees, it means an open environment where the staff is motivated to acquire and share knowledge. The leader's objective is that of understanding the barriers for development and even internationalization, based on a realistic SWOT analysis.

Under these circumstances, the entrepreneurial activities become more professional, requiring a better education and training for both entrepreneurs and their employees. The ability to build up a vision, to become an active member of the a network or a cluster become a major ingredient for the survival and development of SME's sector.

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