

The Role of Knowledge Management in Improving Small, Micro and Medium Enterprises Productivity: A Case of Nkonkobe Municipality, South Africa

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ABSTRACT The paper explores the role of knowledge management (KM) in Small, Micro and Medium Enterprises (SMMEs) as a catalyst for an improved productivity. The paper highlights that KM as important resources, and as an intellectual capital to help small business achieve sustainable growth. The aim was to confirm that small business competitiveness requires an ability to create, retain, use and transfer knowledge as business intelligence. Data was collected through a systematic literature review, interviews and observations. The findings showed that SMMEs could improve productivity through knowledge sharing and transfer. It was difficult to test the robustness of sharable knowledge claim in the business processes. The paper shows that the business owners experience difficulties on how knowledge acquisition, retention and transfer impact their operations. Most of the SMMEs still lack the skills to convert tacit knowledge into an explicit knowledge for business intelligence and improved productivity. The paper recommended that the SMMEs give adequate priority to the importance of collaboration through business intelligence gathering and sharing. SMMEs should endeavour to convert their tacit into explicit knowledge. This might facilitate process replication, and knowledge transferability.

INTRODUCTION

Small and Medium Enterprises (SMEs) need the ability to create, retain, use, maintain and transfer business intelligence for sustainability, relevance and competitiveness (Rahimli 2012). To manage business intelligence is the same as business knowledge management. It is essential for business and economic sustainability. This is because SMEs makes substantial contributions to any national economy and job creation (Kongolo 2010; Cowling et al. 2015; Fernandez and Ali 2015; Memili et al. 2015; Yazdanfar and Öhman et al. 2015). It accounted for ninety-nine percent of the estimated 23 million enterprises in the European Union categorized as SMEs, which employ more than sixty-five percent of the total workforce and eighty percent of new job creations (Pavic, et al. 2007; Rosu and Dragoi 2012). It is true to assert that managing

businesses heterogeneous in composition is knowledge intensive.

Findings showed that both South Korea and Malaysia rely on small enterprises as a foundation of economic growth (Kerimova 2012). SMMEs' contribution to jobs in the United States (US) was 50.3 percent and forty percent to GDP and in the United Kingdom (UK) it was estimated at forty-four percent to sixty-six percent of the job opportunities and 59.3 percent of private employment throughout the UK economy, contributing 99.9 percent of private employment and sixty percent of GDP (Loader 2015). It is acknowledged that South Africa lags behind other developing countries in promoting the growth and sustainability of small businesses (Darroll 2009). Despite this argument, one of the important factors to alleviate poverty in South Africa and ensure the reduction of huge unemployment problems is through small scale businesses (Ralph 2012). These businesses' contribution to the country GDP was estimated above forty-fiver percent and above fifty percent of the job opportunities. Hence, SMMEs are an important factor for reducing poverty (Herrington 2012). These small businesses could contribute up to sixty percent to eighty percent of the total GDP over the next 5 to 10 years (Mohsam and Brakel

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2011). Similarly, SMEs is an important business segment of India's economy, and a major part of its manufacturing and export (Pradhan and Das 2016), and contributed 47.2 percent of national output of Korea (Jinjarak and Wignaraja 2016).

SMEs' management and sustainability is knowledge intensive. Small businesses need novel techniques, seasoned knowledge workers to create, maintain, manage, transfer and retain vital business knowledge and leverage such in this global competitive business environment. SMEs business intelligence is a catalyst for SMEs improved productivity. Thus, SMEs must emphasize the robustness of its KM to ensure competitiveness by identifying useful knowledge, capture and transfer such to improve their capabilities and performances (Chauvel and Poulingue 2015; Becker et al. 2015; Hume and Hume 2016; Tseng 2016) Tseng 2016). To stay competitive, SMEs must see KM as a vital business intellectual capital and must treat KM as intellectual property (Maldonado-Guzman et al. 2015), and SMEs are more productive when knowledge socialization is part of its business process fabrics (Massaro et al. 2016), and they must be able to identify practices that may hinder business sustainability through lack of knowledge transfer within their businesses (Cerchio et al. 2015).

Literature

SME business intelligence can be enhanced when sustainable business processes are driven by KM. Hence, they need to create, maintain, share and keep knowledge useful to promote, and sustain operation and improved productivities. KM enables systematic monitoring and appraisal of business transaction activities. Although existing studies have focused on knowledge production and the economy, business Records Management: Return on Investment (RM), return on investment (ROI), KM, and SMEs (Durst and Edvardsso 2012; Ngulube 2011). There are gaps in SMMEs' KM in South Africa, and in the Nkonkobe Municipality of the Eastern Cape Province. Thus, this paper argues that KM can contribute significantly to the SMMEs improved productivity if required knowledge is generated, shared, retained and transferred in business processes. Especially when SMEs understand that intellectual capital, leadership, human resources and KM are important requirements to manage a successful enterprise

(Khalique et al. 2015; Love and Roper 2015). It is crucial for the SMEs to foster business intelligence through KM as their existence and continuing productivities and sustainability is crucial for the national economy.

SMMEs Knowledge Management

Knowledge management has been a core component of SME business processes. It has led to an open innovation useful in knowing what customers want and in meeting such demands, and in keeping up with the market trends (Van de Vrande et al. 2009). Small businesses need to use employees' tacit and explicit knowledge to increase internal business innovation. Because, how SMMEs manage organizational knowledge will impact innovation and output, their comparative knowledge, and sphere of influence (Massa and Testa 2009). This knowledge is an important production mechanism that should be treasured as significant innovation is derived by application and transfer of such among the stakeholders irrespective of industries. The skills gain on business process management (BPM) may be enhanced through effective collaboration for business success trajectory and innovation (Kaminski et al. 2008). It is imperative for small businesses to cultivate practices that embrace KM because it plays a crucial role in improving competitiveness and outputs (Tan 2011). Because, efficient use of tacit and explicit knowledge may increase output, and expand business scope KM in quality and quantity over time (Lopez-Nicolas and Soto-Acosta 2010). Small business knowledge update, appraisal, retain and sharing among employees will enhance innovation and increase business process agility (Basly 2007; Lopez-Nicolas and Soto-Acosta 2010).

Types of Knowledge

Both tacit and explicit knowledge are important to improve small business productivity. Tacit knowledge lives in the people's minds while explicit knowledge is found or codified in an organization's documents, business records/archives, business reports, databases, production blueprint, business process information, manuals and procedures. This genre of knowledge is expressible in words, numbers and could be processed by computer or other data capturing or records management (RM) devices (Dewah 2012;

McElroy 2002). The business tacit knowledge conversion is important in fostering group learning, knowledge transferability and improved productivity. SMEs tacit knowledge conversion into explicit knowledge is vital in the production processes, business formality. Knowledge sharing and its retention is often found in an organization's manufacturing protocol, schematics documents, business process records. It may be contained in the business and quality assurance reports, business database analysis, business manuals and procedures. These genres of knowledge can be processed by computers and records capturing devices irrespective of the format (Nonaka and Takeuchi 1995; DMcElroy 2002; Dewah 2014).

The Role of Explicit KM in the SMMEs

KM is "a fluid mix of framed experiences, values, contextual information, and expert insights or grounded intuitions used for testing new experiences and information" (Alawneh et al. 2009). The SMME's KM is important for business processes restructuring and improved products. As small businesses grow, they have to share explicit understanding of business concepts through effective communication of tacit knowledge among workforce (Zack 1998). The SMEs use of explicit knowledge will promote understanding of complex processes, thus reducing the chances of businesses inconsistent outputs (Zack 1998). This practice will reduce the risks associated with the collapse of small businesses due to failure to convert tacit knowledge into an explicit knowledge and knowledge retention before departure of such knowledge holder is ensured. Hence, the know-how required for problem solving is retained, even with an abrupt departure of business owner or knowledge holder, the business operation will be sustained (Alawneh et al. 2009). This is pivotal for businesses to guide against knowledge evaporation, drive competency, appraise output and measure SME performances. Incontrovertibly, reusing knowledge prevents past and recurring failures. Both tacit and explicit KM ensures reinvention of failed business processes through knowledge appraisal. Thus, providing knowledge trajectories for using both tacit and explicit knowledge requires in process redesigning for a recurring problem. This may reduce the occurrence of abrupt closures of many sole propri-

etorship businesses and SMEs in South Africa, as Mail and Guardian (2012) reported that 80,000 jobs were created by the SMEs in the economy in January 2011, but declined by 33.3 percent by February 2011.

Problem Statement

Knowledge is a core component of a firm's intellectual capital. The individual intellectual capital and learning processes contribute to the sustainable business growth over a period. Hence, KM is essential for both knowledge acquisition and business growth. Despite the need for the aforementioned, the SMMEs at Nkonkobe are at a crossroad of aligning its tacit and explicit knowledge to make sure organizational memory is retained and transmitted whenever its need is required. This might cause occurrences of partial business process interruption due to knowledge loss owing to the death or transition of any major knowledge holders in the small business. Thus, destabilizing business core functions after such disruptive departure owing to lack of explicit codification of core knowledge in the business processes. The investigation conducted showed that lack of required skill to manage and transfer tacit knowledge to explicit knowledge is a major challenge to the SMMEs. Absence of intuitive knowledge socialization is another problem confronting the SMMEs. The attitude of the workers toward skill acquisition was blamed for the laissez-faire knowledge transfer. This has been impacting productivity and tilting revenue trend and business trajectory within the Municipality. Other challenges facing the SMMEs is a platform to protect their intellectual capital, thus inhibit them from sharing what is known without the fear of knowledge capital loss or theft, thus promoting a sense of vulnerability over losing their most valuable asset, knowledge.

RESEARCH DESIGN AND METHOD

The paper adopted a qualitative approach. This has been used by other researchers in related subjects or fields of study (Munetsi 2012; Ngulube 2009, 2011; Ngulube and Tafor 2006; Babbie 2010; Creswell et al. 2007; Creswell 2012; Creswell and Miller 2010). This is important in understanding SMMEs' views, opinions, knowledge and values of KM as a 'phenomenon'

(Leedy and Ormrod 2010; Welman et al. 2010; Hales 2010; Owens 2012). Literature reviews was used to debate, critic, and assess the role of KM in the SMMEs' improved productivity. The prevailing pattern in the literature was triangulated with interviews and longitudinal observations in the Nkonkobe Municipality from 2011-2015. Twenty-three (23) SMMEs were sampled and interviewed to gather information on SMMEs' KM practices. The study deemed it proper to conduct the research, containing multicases in Nkonkobe Municipality of the Eastern Cape, owing to the heterogeneity nature of SMMEs (Durst and Edvardsson 2012; Welman et al. 2010). Case study as empirical inquiry, examines social phenomena context, and promote understanding of complex issues that might be associated with holistic, in-depth investigation (Zaidah 2007; Robson 2011; Gerring 2007; Welman et al., 2010; Babbie 2010).

Theoretical Underpinning

The paper adopted lifecycle theory vis-à-vis how SMEs product lifecycle hinges on knowledge use and sharing processes (Chachage and Ngulube 2006; Dewah 2012; Soto-Acosta 2016). The business lifecycle refers to the systematic business processes from its inception, just like growing organism, in a distinctive lifecycle (Beamish and Giggart 2010; Jones 2009; Levie and Lichtenstein 2010). The use of business lifecycle has remained the most adopted concept since 1962, hence its adoption in this paper (Jones

2009). SMEs lifecycle has five major growth stages dependent on creativity, direction, delegation, coordination, and collaboration (Khera and Khera 2008), and these stages are knowledge intensive. Due to the importance of KM in SMEs, application of product lifecycle management have been introduced/proposed in SMEs (Soto-Acosta et al. 2016), which allows SMEs to efficiently exchange product-related knowledge. As a result, it will enhance SMEs in getting their products to market in a real-time. This technique is being applied in the bigger corporation, and product lifecycle management software application is in use by the big businesses and the use is equally proposed for the SMEs (Soto-Acosta et al. 2016) to increase their business agility.

This model depicts SMEs KM process of capturing, storing, sharing, socializing, and knowledge retention and recycling (Du Plessis 2003; Dewah 2012, 2014). The SMEs ability to use and transform its tacit into explicit knowledge will help them measure their product lifecycle performances through knowledge appraisal.

DISCUSSION

Knowledge as a factor of production has greater potentials than land, capital or labor (Frey 2001). Money is not the only key factor in sustaining SMEs as personnel are knowledge workers and are strategic for business sustainability (Frey 2001). Hence, these small businesses need to be educated on the importance of KM (Har-

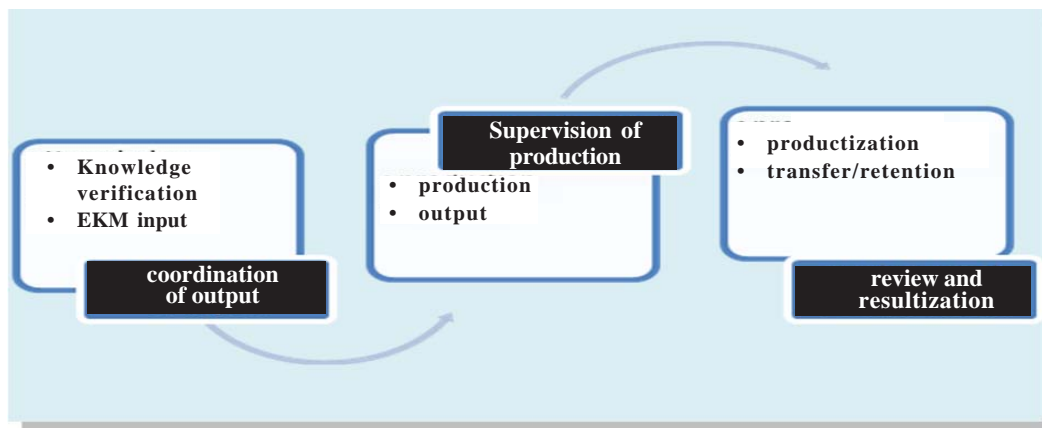


Fig. 1. SMEs KM life cycle conceptual model

Source: Author: Ajibade 2016

ber 2004; Harber 2010) as an important sector of the South African economy, contributing (45%) to the GDP, and acquiring over (50%) job opportunities (Bauer 2012). Therefore, these knowledge workers must share their tacit and explicit knowledge through employees' interactions. This allows the employees to document their explicit knowledge to ease communication. Because SMEs businesses must use its ability to create, share and use their knowledge efficiently (Woolliscroft et al. 2013).

Although different authorities have expressed their opinions on converting tacit into explicit knowledge and vice versa (Werner et al. 2015; Panahi et al. 2016). But the key factor is that, knowledge creation, sharing and use are unavoidable by SMEs to improve productivity irrespective of the industrial affiliation.

Chong and Besharati (2014) indicated that, there are personal, organizational and technological challenges to knowledge sharing. But, sharing explicit knowledge will increase tacit knowledge of other coworkers (Vick et al. 2015; Singhal and Tomar 2016). Howbeit et al. (2014) refuted that, tacit to explicit conversion emphases is counterproductive for business innovation. This means that, if the SMEs can manage the flow of their tacit knowledge, it metamorphosed into a production knowledge network. This process may need efforts in employees' coordination, but the reward will improve production. Hence, the SMEs focus should be on tacit and explicit knowledge integration and use, and this view is supported by Un and Asakawa (2015). By so doing, they might overcome individual and organizational knowledge sharing challenges. This can be achieved through Knowledge, Information Acquisition (KIA), and individual learning evaluation (Firestone and McElroy 2004).

Interviews and Observations

SMMEs KM

During the interviews, the paper investigated SMMEs management of business intelligence at Nkonkobe. The finding indicated a below desirable state business intelligence. But the SMEs need the ability to acquire, apply, retain and use knowledge on an ongoing basis to stay ahead of the competitors. The businesses were asked how they are maintaining their business intelli-

gence. Out of the 23 businesses, none of them use or adopting explicit knowledge in their business processes. There is no formal process to convert their tacit knowledge into explicit knowledge. This means that their inability to codify their tacit knowledge exposes the SMEs to susceptibility of knowledge asset losses. The capturing of business intelligence is useful for their business forecasting, and twenty-one percent said that they maintained their business intelligence. Keeping record of business financial information, sales, purchase and supplies, invoices, stock and inventory's management is important for an improved production. It is an integral part of business intelligence for a successful business management. Sadly so, only thirty-nine percent respondents in this paper have knowledge of managing this business requirement. However, five of the respondents account for twenty-one percent said they do not incorporate this as part of their business KM practices.

Contrary to what are the SMEs KM practices in the developed economy, the scenarios in the Nkonkobe painted a negative picture, particularly for appreciation of KM benefits to success of business enterprise. Findings showed that SMEs need to, and must have the capabilities to acquire and create new knowledge from existing knowledge platforms for innovativeness, maintain and use such knowledge for competitiveness. The SMEs must maintain constant knowledge retention practices to prevent losing important business asset. As this may impact and tilt their production is not considered in daily business operations.

Knowledge Outcome

SMMEs explicit KM is an integral part of their business intelligence within an organizational knowledge base (Firestone and McElroy 2002). There is assertion that it is not possible to justify knowledge, since there may be not enough evidences to prove the falsify-ability of any individual knowledge claim (Campos 2008). However, this paper argued that the quality of output of SMEs at Nkonkobe can serve as a measure of its knowledge input. Tacit knowledge as an input can be measured by SMEs vis-à-vis the final products or outputs. Nkonkobe small businesses' KM measurability cannot be determined vis-à-vis the output generated as their business intelligence data is not available to

support or measure knowledge input contribution to their output. SMMEs tacit knowledge although implicit generates results that promote improved output when shared and used in the production processes. The codify knowledge explicitness enables the present and future workforce to enjoy the available knowledge domain. This makes knowledge auditing possible for plausible appraisal. This might promote the verifying process of the potency of the knowledge, and needed modification is examined vis-à-vis first product output and the later output, and this comparison serves as measuring tool.

The SMEs were asked of their opinion on internship as tools for knowledge acquisitions. There are major perceptions from the interviewees on training an apprenticeship.

A major constraint identified includes the unwillingness of the trainees to commit themselves to learning. The trainees prefer making quick money than spending a longer period learning a trade or craftsmanship. Another respondent showed that, one of her learners abandoned the training, and this has a negative effect on skill transfer and continuous learning through knowledge transfer. Another challenge identified was the rate of absenteeism amongst the learners. The inconsistencies in attendance often disrupt skill acquisition and knowledge transfer. This often led to unwillingness of the skilled mentor to take the trainees seriously in imparting needed knowledge. Other identified challenges were the inability of some of the knowledge holders to transfer their tacit knowledge into a codified asset (knowledge library). It was observed that there were challenges in tacit knowledge transfer due to articulation of language barrier of the knowledge holder and the trainees.

In terms of internship and learnership, one respondent was interrogated further on knowledge culture. He emphasized that the knowledge culture and craftsmanship is not given much priority.

Most young adults see the learning process as not lucrative and labor intensive. The engaged learners/workers, once they are paid the weekly wages, they never come back to work until they have spent the money given to them "often in heavy drinking". The respondents were further interrogated on this drinking claim, and he reiterated that, the three men live in his neighborhood, and he knows them well.

This habit, will undoubtedly hinder their learning ability, and often discouraged him in transferring the knowledge needed. Because willingness to acquire new knowledge from the trainee will promote information sharing and knowledge transfer.

Knowledge Transferability

Small businesses will need to constantly learn new ways of producing goods as they keep experiencing gaps in their current business process and methods. But part of their challenges is recognizing existence of valuable knowledge, its acquisition and transferability. Most of the knowledge transfer challenges are due to inability to capture, codify, and share knowledge platforms in practices after knowledge is created (DMcElroy 2002; Dewah 2012). Unfortunately, most SMMEs are not aware of the role of KM in promoting business sustainability. The SMEs are unenthusiastic to transfer knowledge because the knowledge holders do not foresee the possibility of continuous relationship between themselves and the employees. Unwillingness of the employees to acquire skills was cited as one of the reasons responsible for this. While the knowledge holders perceived that the trainees or workers emphasized money-making activities than knowledge acquisitions. Although the trainees or employees may be willing to acquire new knowledge, but other unexplained circumstances might be impeding their knowledge acquisition such as family matters and present socioeconomic hinderances.

The SMMEs misguidedly relied on tacit knowledge alone in managing business processes. Yet, the businesses need to constantly transfer their tacit and explicit knowledge, codify the tacit, and often convert explicit knowledge into tacit to support innovation as market trend keeps changing. But it was discovered that lack of documentations of business intelligence through explicit knowledge management existed. Unfortunately, the human minds are susceptible to frailty. When needed, the tacit knowledge to support business decisions may not be accessible. However, knowledge explicitness might help businesses overcome challenges of skills transfer ability when business intelligence is well documented. The other challenge though is, employees may find it difficult to be able to decipher the encoded knowledge. None-

theless, it can be substantiated that when employee leaves, knowledge transfer may not be stalled due to knowledge retention (Wong 2005; Dewah 2014). Knowledge retention can be achieved using different codifying techniques to accommodate people with varying skill set to understand the codified knowledge. Adoption and use of explicit knowledge may aid knowledge retention irrespective of transferability constraints.

According to Meier (2011), knowledge transfer may involve uses of inferences drawn from how SMMEs recruit and embrace mentoring. Unfortunately, in Nkonkobe, internship and apprenticeship are fading out. Most of the essential services and craftsmanship prowess is tilting. Transferring required tacit and explicit knowledge through mentoring could be a panacea for SMMEs owners to end the quandary of knowledge evaporation or loss due to lack, and failure of knowledge retention. Identifying informal processes of knowledge generation can show lapses of their business core functions, and processes method deficiency. The impact of such KM on small businesses in repositioning trained interns is significant, especially in transferring knowledge to core business activities. This has the potential to promote the creation of necessary awareness, which will yield dividend in maintaining sound KM in monitoring business performances.

SMMEs Perceptible Knowledge Sharing Fear at NKKONKOB

Knowledge Sharing Phobia

One of the challenges of the small businesses in Nkonkobe was the fear of losing valuable knowledge to a competitor. This poses a major threat to knowledge sharing among the SMMEs in the Municipality. Those who engaged the services of another, such as the telephone repair outlets, services outlets adopted 'a closed circuit' business knowledge sharing method. One of the business owners interviewed said that the apprentice is expected to be paid when learning. Hence, it cannot be considered business savvy to be paying someone from business profit while gaining valuable craftsmanship knowledge. It was observed that knowledge socialization and sharing is often linear within the family-owned businesses as predominant businesses are family owned. This has resulted

in the same people managing the businesses with little diversities or newcomer in such business domain.

Another challenge identified by most of the businesses is *the lack of enthusiasm by the trainees to acknowledge useable knowledge and ability, and the practice of favoring quick payment sources to learning skill for a long period with no immediate financial benefits*. This has led to unwillingness of the business owners sharing business expertise to an uncommitted trainee as efforts are deemed wasted. Other challenges of knowledge sharing was the dilemma of majority of trainees who came for learning are not willing to complete the training circle in most cases. Hence, the businesses in Nkonkobe could not facilitate collaborative and inclusive knowledge circulation. The fear of losing potential business ideas and technical know-how through collaboration has inhibited majority of the businesses too from sharing business knowledge.

However, there are benefits that small business could derive from such collaboration, such as collective bargaining power. Yet, the SMEs are yet to enjoy such due to individuality approaches in purchases and supplies strategies.

This has increased their purchases orders costs cumulatively. But, if business knowledge and the principle of collaborative network are shared, this will reduce their overhead costs. Because collective bargaining power knowledge sharing, has no link with the fear of losing business prowess to competitors through sharing of business intelligence. Invariably, this will increase their flexibility in reducing per unit cost of goods consumers' purchases and likely higher returns for the businesses. This reduced price will be transferred to the consumer, thus increases their patronage and rate of turnover for the SMEs. This will increase their market competitiveness with the chain stores. Since most of the trading small businesses purchase their goods from the chain stores and supermarket before retailing to their customers. Collective bargaining power and knowledge sharing practices may increase their productivities, profit margin and collective bargaining power. This may lead to sharing business intelligence information on sourcing goods from the primary suppliers.

It was observed that most survivalists businesses in Nkonkobe relied on their tacit knowledge to survive volatile business environment.

SMMEs fear of losing business ideas and knowledgeable staff to bigger firms has forced or made them unwilling to share their tacit knowledge with others, for fear of losing intellectual capitals. The paper discovered that with technical skills converted their valuable knowledge for effective use while others are unwilling to carry out knowledge conversion. Indubitably, the SMMEs risk losing knowledge without conversion should the carrier suffers partial business amnesia. Because the business knowledge is fluid and exists in their mind, thus preventing any retention, transferability and sharing, owing to fear of competition.

CONCLUSION

The paper argued that the inability of SMMEs to share their business intelligence will hinder optimization of available knowledge capital to their business prospect. This will reduce their competitiveness and weaken their sustainability. It is clear from the argument that SMEs will not only need to convert tacit knowledge to explicit knowledge, but must convert explicit knowledge into tacit knowledge to spur innovation. At the present, tacit knowledge is predominant while explicit knowledge, and transfer within the SMMEs in Nkonkobe has seen transient transition. This present paper found that knowledge combination of SMMEs through adoption of knowledge sharing in network business milieu might improve business intelligence sharing. As SMMEs consortia will improve intelligence gathering through KM and foster economic buoyancy in Nkonkobe. Business KM will enable effective monitoring of business appraisal and performances. Hence, this will improve chances of business sustainability when KM is diligently prioritized.

RECOMMENDATIONS

This paper recommends that policy-inclusive on KM, knowledge conversion and externalization framework should be propagated among the small businesses. Government agencies such as Ministry of Small Business Development partner with the small business stakeholders should at different intervals organize knowledge and innovation breeding workshops. The culture of tacit knowledge conversion and collaboration should be encouraged among the small busi-

nesses. This might ensure better knowledge retention, “knowledge networking” and competition, as against efforts which diminish their collective bargaining power. Hence, such practices will be insightful for the businesses return on investment (ROI), and business continuity. It will increase their knowledge retention, knowledge incubation and knowledge sharing. It is recommended that small businesses should promote mentorship, internship as mechanism to transfer knowledge from veteran business owners to a new generation of entrepreneurs.

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