

**Knowledge Management in SMEs****Subject: International Journal in Management and Social Science(IJMSS)****Anshu Singh**

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**ABSTRACT**

*The value and importance of knowledge, as seen by numerous organizations today, play a crucial role in the current ever-challenging and aggressive business environment. As a result, businesses that aspire and strive to be labelled as being successful and competitive need to seek and find better ways to improve their firms' performance. Hence, Knowledge Management (KM), which is viewed as a source of sustainable competitive advantage, has attracted the attention of various companies all over the business world, including Small and Medium-Size Enterprises (SMEs)*

*Managing knowledge is a critical capability for small to medium-sized enterprises (SMEs) to master because it helps them leverage their most critical resource. Organizational knowledge is the most salient resource at the disposal of SMEs in terms of availability, access, and depth. Successful SMEs are those who can leverage their knowledge in an effective and efficient manner,*

*This study focused on the Knowledge Management in Small and Medium sized organization focusing why SMEs need to know about knowledge management (KM) in their organizations and factors and benefits of practicing KM by small and medium enterprises (SMEs) based on secondary data.*

**Key words:** Knowledge Management (KM), Small and Medium Enterprises (SMEs), Organization, Business.

**Introduction**

Knowledge management (KM) is a relatively new term that encompasses not only the related notions of knowledge transfer and knowledge sharing (externally from other firms to the small firm and/or internally among firm members), but the entire knowledge acquisition and utilization

process, beginning with locating and capturing knowledge (including tacit knowledge which is difficult to codify), and followed by the enabling of that knowledge within the firm (Choo and Bontis, 2002; Takeuchi and Nonaka, 2004).

Knowledge is the factor with which entrepreneurs can distinguish themselves from their competitors. Apart from this, knowledge is the means with which the poorly organised business environment can become well organised, with which the complex world becomes manageable and with which unclear items can be interpreted.

Knowledge management can be defined as the achievement of the organization's goals by making the factor knowledge productive. This is done primarily by facilitating and motivating people to tap into and develop their capacities (their core competencies) and to stimulate their attitude to entrepreneurship. Besides this, knowledge management includes the entirety of systems with which the information within an organization can be managed and opened up.

There are nine possible knowledge streams within the organization that are important:

- (1) Determine the knowledge necessary
- (2) Determine the knowledge available
- (3) Determine the knowledge gap
- (4) Knowledge development
- (5) Knowledge acquisition
- (6) Knowledge lock
- (7) Knowledge sharing
- (8) Knowledge utilization
- (9) Evaluate (utilised) knowledge

**Knowledge Management in SMEs**

The environment in which businesses operate today can be summarized in terms of five key trends: globalization and the increasing intensity of competition; changing organizational structures; new worker profiles, preferences and predispositions; advances in information and communication technology; and the rise of knowledge management (KM).

The basic assumption of KM is that organizations that manage organizational and individual knowledge better will deal more successfully with the challenges of the new business environment. KM is seen as a key factor in realizing and sustaining organizational success for improved efficiency and innovation. KM may be particularly relevant for SMEs. Typically, SMEs have between 20-50 employees. As such, these firms tend to be relatively more dynamic and agile than larger organizations, and more ready to learn. However, they are often more vulnerable than larger organizations to the loss of key personnel. Current KM literature recognizes that the field of KM is relatively immature and prone to misconceptions and misappropriation.

Knowledge management is a practical tool in any organization. A study by Handzic (2004) addressed two issues - why managers of small to medium-sized enterprises (SMEs) need to know about knowledge management (KM) in their organizations and how they can conduct it. Critical steps, key factors and possible alternative paths are also discussed, so that knowledge management does not remain just theory but can be put into practical use in their organizations.

As organizations become more knowledge based, their success increasingly depends on how successful knowledge workers are at creating and applying new ideas productively and efficiently. The central task of those concerned with KM is to determine ways to better cultivate, nurture and exploit knowledge at individual and group levels. Successful implementation of KM in an organization will require addressing all components of an integrated framework in a deliberate and systematic way. In other words, it will require methodology that will serve as a roadmap for the knowledge management journey.

In an empirical research Desouza et al (2006) discovered that SMEs do not manage knowledge the same way as larger organizations. Viewing SME knowledge management practices as scaled down versions of the practices found in larger organizations is incorrect. SMEs have understandable resource constraints, and hence have to be creative in working around these limitations in order to manage knowledge.

Briefly, the five peculiarities of knowledge management at SMEs are the following.

- 1) Dominance of Socialization in the SECI Cycle
- 2) Common Knowledge
- 3) Knowledge Loss – Not a Problem
- 4) Exploitation of External Sources of Knowledge
- 5) People Centered Knowledge Management

A study conducted by Egbu (2000), suggested thorough consideration of the knowledge content, people, processes, culture and technology and their interdependence is vital in any coherent and robust strategy for managing organizational knowledge in construction. A culture where there is openness and willingness to share knowledge and information, where people feel secure in their jobs and genuinely feel valued with some form of 'ownership' or 'involvement' with the knowledge management processes is seen to be conducive for knowledge management.

### **Knowledge Framework in Organization**

Knowledge management is the management of information within the organization by influencing the four corporate building blocks as there are four crucial means with which one can organize: strategy, structure, culture and systems. An optimal mix of these four elements can ensure an optimal management process. The four elements can be described as follows and can be influenced in the following ways:

**(1)Strategy:** strategy expresses in what direction the company will be going in the future. Based on market research, competition analysis and self-analysis, the crucial differentiating competencies or strong sides of the company are identified and formulated. Based on this, the coordinating mission and the near future goals are determined.

Corporate strategy relies on having reliable, accurate, and dynamic information, in assisting organizations in decision-making, which ties up with the discussion of information systems and the technologies that support them. More importantly, knowledge management imposes a new way of thinking about fixed products and services. corporate strategies need to introduce new measures of success that show the true value of knowledge more completely than basic balance sheet accounting.

**(2)Structure:** the structure of an organization is what follows from a division of the work, the tasks and the responsibilities, both horizontally and vertically. It is the total of the various ways in which the work is divided into separate tasks and the way in which these tasks are then co-ordinated. Studies have shown that, there are advantages in implementing knowledge management in simpler, flatter and less complex structures. Furthermore the 'communication line is often shorter and direct, thus allowing a faster discourse on knowledge management issues within the organization'.

**(3) Culture:** the culture of an organisation can be characterised as the whole of the values, norms and views shared by the people who make up the organisation. The culture of an organisation is expressed as symbols, rituals, myths, stories, anecdotes, legends, so-called heroes, as well as being in a mutual language that these people create amongst themselves. Together with the structure, the culture forms the tactical part of the organisation.

Knowledge management is linked within the culture of organisations. The challenge is in creating knowledge management strategies that focus on developing knowledge sharing systems that are dependent on employees. Strategies need to be created that encourage and reward knowledge sharing. The biggest challenge in most knowledge management efforts lies in changing people's work habits. The challenge lies in getting people to articulate and share knowledge face to face.

**(4) Systems:** the systems can be defined as the rules, procedures, guidelines and instruments with which the daily functioning of people in the organization is facilitated. In this article we lay the focus of knowledge management specifically on the systems, as they are often central in small and medium-sized companies. It is imperative that systems reflect user requirements within the differing management levels. Furthermore, processes and procedures that support information systems need to be simplified, adaptable, and flexible to meet the changes in user requirements. Maintaining competitive advantage in a global market, places more demand on information systems to provide accurate and reliable information to strategic, tactical, and operational levels of management.

The full power of knowledge can be realized only by taking a holistic ecological approach to knowledge management. There is widespread agreement among scholars that there is need for KM frameworks that will provide researchers with a holistic view, common ground, consistent terminology and units of analysis across a variety of research settings and can help the practitioner to understand KM initiatives.

In order to make sense of the variety of existing KM frameworks they have been categorized into descriptive and prescriptive frameworks.

### **Descriptive Framework**

KM focuses on hiring, retaining, training of personnel, i.e. 'intellectual assets', and organizational knowledge is defined as 'the sum of the knowledge of its personnel'. Four levels of carriers of knowledge in organizations are assumed, namely individual, group, organizational and inter-organizational. This framework establishes a dynamic process in which explicit and tacit knowledge are exchanged and transformed through four modes. Socialization enables tacit knowledge to be transferred from one individual to another.

### **Prescriptive Framework**

Successful implementation of KM in an organization requires addressing all components of an integrated framework in a deliberate and systematic way. In other words, it requires a methodology that can serve as a roadmap for the knowledge management journey. prescriptive models attempt to dictate methods to follow in conducting KM.

These frameworks are still going through the processes of development and testing against objective empirical investigations. KM is considered as a socio-technical undertaking, enabled by social, organizational and technical factors which must be considered in any KM initiative; and KM is recognized as being severely dependent on context so that there is no 'one size fits all' prescription.

### **Benefits**

Two obvious benefits are improved efficiency and effectiveness. Improving efficiency means being able to make better use of scarce resources, having tighter control over costs and waste, and doing it right the first time. However, there is a benefit to practical knowledge management that can move an organization ahead of its competition.

### **An adaptive enterprise: The real benefit**

Stephan Haeckel, author of Adaptive Enterprise states: "An enterprise's ability to adapt depends on how it processes information." Organizations survive if they can be agile, responding appropriately to unpredictable external factors, whether local or global, and internal circumstances. The key tool in

constructing the adaptive enterprise is the ability to know yourself, your people, the competition and the environment. An adaptive enterprise is one that is not stuck in pre-determined patterns of behavior, but makes adjustments to strategy and tactics to react to changes, or to re-invent itself to pursue whole new opportunities.

#### **Faster and better decisions: The competitive advantage**

Better decisions are the primary benefit of having a practical knowledge management system. The ability for organizations to make accurate decisions is, in large part, based on what they know, and that this can be enhanced by a practical application of knowledge management. If organizations can adapt and make decisions that improve speed to market, customer responsiveness, and operational efficiency quicker than the competitors, they have competitive advantage.

#### **Conclusion**

Knowledge management is not a technology initiative, it is a workforce initiative that employs technology to improve worker performance. From what we have learnt so far, knowledge management is too important to be ignored by managers. Knowledge content, process and context all need to be carefully managed in order to preserve or create value for an organization.

The integration of KM with Strategic management is required to achieve efficiency and effectiveness and can be achieved by building KM awareness, determining its intended outcomes, auditing and valuing knowledge assets and resources, and finally by developing and implementing those KM solutions that have the best potential to enhance knowledge and add value to the organization.

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