CONSIDERATIONS CONCERNING IMPLEMENTATION OF
KNOWLEDGE MANAGEMENT IN SMALL AND MEDIUM ENTERPRISES

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Abstract:
Knowledge has become one of the critical driving forces for business success. Organizations are becoming more knowledge intensive and the needs for leveraging the value of knowledge are increasing. Organizations need to be cognizant and aware of the factors that will influence the success of a knowledge management (KM) initiative. The effective implementation of KM in small and medium enterprises (SMEs) is governed and facilitated by certain factors. Organizations can certainly benefit from a more thorough understanding of the factors that are critical to the success of KM. The adoption of factors which are not suitable can impede the achievement of the desired performance.

Keywords: Innovation management, Knowledge management, SME’s growth, Performance management

JEL Classification: M15, M31

1. Introduction
The development of a knowledge-driven economy has become a key priority for both local business development agencies and central government as the way forward to sustain economic growth and enhance skills levels across all sectors. Within what is known as the knowledge economy, at the level of SMEs, developing strategies to differentiate the organisation in the marketplace, creating knowledge in the organisation and utilising human assets are essential ingredients for success. For the SMEs within a specific cluster to be effective in their broad business development, investment in good practice human resource management activities and the identification and development of talent are key.

In order to respond positively to the rapidly changing environment and to perform effectively in spite of uncertainty, firms need to devote much of their time and effort in listening carefully to their customers, while at the same time participating in the development of their organizations so that they are able to effectively respond to the changing business environment.

Traditional forms of management for successful SMEs of the future will not be sufficient to meet these changing demands and a wider participation in the development of the organization and management of the business process will be vital ingredients for future organizational effectiveness. While the notion of the learning organization is not yet clearly defined and many authors on the subject have difficulty in reaching agreement
as to the exact nature of, and the key ingredients of, the learning organization, many are agreed on the benefits.

The foundation of organisational competitiveness in the contemporary economy has shifted from physical and tangible resources to knowledge. The key focus of information systems has also changed from the management of information to that of knowledge.

Many organisations are increasingly viewed as knowledge-based enterprises in which formal knowledge management (KM) is essential. Nowadays, KM is rapidly becoming an integral business activity for organisations as they realise that competitiveness pivots around the effective management of knowledge.

2. Action learning SMEs

Action learning is a means of development, intellectual, emotional or physical that requires its subject, through responsible involvement in some real, complex and stressful problem to achieve intended change, sufficient to improve his intended behaviour henceforth in the problem field [1]. There are several questions which have arisen by SME owner managers from the literature, and which would need to be addressed in order to convince them that power sharing in the organization through widening questioning and reflection would be beneficial to the business:

a. If the learning organization model is so effective in terms of business performance, why isn’t it more widely used?

Entrepreneurs according to the literature are by nature individualistic, desire almost total control on the direction and policies of the organization and find delegation difficult. This constraint can be further exacerbated when direct control of the company is in the hands of a family oligopoly. Another barrier (as shown in literature) emerges from negative feelings of SME owners and managers directors towards the higher education sector in general and academic research in particular.

b. Why entrepreneurs find it difficult to share power?

As some of the high profile entrepreneurial icons who were casualties of the late 1980s and early 1990s have demonstrated the nature and structure of organizations do change through time. Concomitant perhaps with those changes to the structure come a requirement for a shift in management emphasis from entrepreneurship to professional management.

c. When we are struggling for survival, we have not got the time to be engaging in esoteric discussion and learning. We need immediate results?

The company then has the opportunity for more empowered and enabled people to navigate effectively through change and uncertainty. Indeed, it is a key role of management to manage change effectively, in order to generate a learning culture within the organization which produces the climate not only to survive but to flourish.

d. How can we implement a learning model in a practical context when the concept of the learning organization is so difficult to tie down?

The learning company is not a standard formula to follow, or a proven winning formula to be benchmarked and imitated. It is a proposal, an invention and a broad concept that is the best suggestion that can be made about how work and organizations proceed in this period of history. It is for us all to experiment with responsibility and imaginatively through a process that will itself be one of learning and discovery [2].
Isn't extending effective marketing effort in the organization going to produce improved profits, not extending learning?

One of the key strengths of the SME sector is their closeness to the customer. The knowledge which the SME marketer has of his or her customer base and their businesses enables change in terms of the individual customer demand and signals from the market to be perceived and managed in a speedy and effective manner. The critical challenge for any business is to create the combination of culture and climate that maximizes organizational learning on how to create superior customer value in dynamic and turbulent markets, because the ability to learn faster than competitors may be the only source of competitive advantage.

The learning culture and climate created by action learning produces the trust, openness, flexibility and eventually effectiveness which lead to the competitive advantage.

3. SMEs factors in accomplishing KM

In the literature are indicated numerous factors that had been identified as important for accomplishing KM. Although different researchers have used different terminologies to indicate these factors, they can be represented by generic themes. Based on the literature, the basis for KM adoption in the SME sector are [4]:

- leadership and support;
- processes and activities;
- motivational aids;
- resources;
- culture;
- information technology;
- strategy and purpose;
- measurement; organisational infrastructure;
- training and education;
- human resource management.

The top three factors according to the SMEs are recognized by literature to be “senior management support and leadership”, “a knowledge-friendly culture” and “a clear strategy for managing knowledge”, while the bottom three were “development of a technological infrastructure”, “incentives to encourage KM practices” and “measuring the effectiveness of KM”. With regard to the “contributors”, “senior management support and leadership”, “a clear strategy for managing knowledge”, and “a knowledge-friendly culture” were ranked the highest, while “roles and responsibilities for KM”, “development of a technological infrastructure” and “measuring the effectiveness of KM” were the least critical.

In order of importance (ranked from the highest to the lowest) for implementing KM in the SME sector are [6]:

I. management leadership and support;
II. culture;
III. strategy and purpose;
IV. resources;
V. processes and activities;
VI. training and education;
VII. human resource management;
VIII. information technology;
IX. motivational aids;
X. organisational infrastructure;
XI. measurement.

The specialists argue that there are differences in the perceived importance of factors for adopting KM, between large and small businesses. Successful KM in SMEs requires proactive entrepreneurial support and leadership from top management. Besides its importance, the fact that this factor was ranked the highest means that it should be addressed first, before dealing with the other critical success factors. Top management or leaders should devote themselves to promoting a corporate mindset that emphasises cooperation and knowledge sharing across the organisation. They should also contribute to the creation of an environment in which knowledge creation and cross-boundary learning can flourish. More essentially is for them to provide continual support and commitment to initiate and sustain the KM effort.

The second most important factor, culture, indicates that a knowledge-friendly cultural foundation is certainly more important than the deployment of information technology in KM. It has been asserted that the success of KM is 90 per cent dependent on building a supportive culture [4]. Important facets of a knowledge-oriented culture include such attributes as trust, collaboration and openness.

Another important criterion for effective KM is to have a clear strategy and purpose. A rational strategy helps to clarify the business case for pursuing KM, and steer the company towards becoming knowledge-based. In addition, it provides the essential focus, as well as values for everyone in the organisation. SMEs differ from large companies, because they suffer from resource scarcity. Consideration of resources’ availability as well as their proper allocation and management are therefore of prime importance for SMEs in adopting KM.

It is also crucial not to overlook those factors which were ranked to be less important such as information technology, motivational aids, organisational infrastructure and measurement. It is indisputable that information technologies such as document management systems, information retrieval engines, relational and object databases, groupware and workflow systems, push technologies and agents, and data mining tools can facilitate KM. However, technology should not be seen as an absolute answer to KM, since it is only a tool.

4. The identification knowledge capital within SMEs

KM practitioners cannot afford to ignore the value that can be gained from HRM. After all, people are the sole originators of knowledge. Traditionally owner/managers of SMEs do not pay a great deal of attention to their own development, in large part because of a perceived lack of time, when other priorities compete for attention. Where the owner/manager is highly entrepreneurial, the focus of business development is often on technical, financial or marketing based initiatives rather than on people development. Often very small firms do not have the luxury of employing a human resources specialist to help with the identification, design and delivery of development opportunities, nor indeed do they think of locating such activities strategically within company plans. Where this does happen, it has been found that the positive attitude of the owner/manager and
his/her understanding of business benefits are the key driving forces. Effective recruitment of employees is crucial because it is through this process that knowledge and competences are brought into the organisation. Employees with the required knowledge and desired skills to fill knowledge gaps should be recruited.

Entrepreneurs, demonstrating creative flair and associated characteristics, will be able to translate their drive, motivation and creativity into action. They will bring about change and make things happen for them and their business. The entrepreneurial management is often described as[5]:

- **opportunistc**: continually searching for new opportunities;
- **value-driven**: based on personal values and drive;
- **value adding**: seeking to increase the value of organisational resources;
- **risk taking**: able to accept some risk in introducing changes; and
- **creative**: able to innovate and take forward ideas into sustainable development.

In the SME sector in particular the combination of entrepreneurial skill with commercial focus and continued knowledge acquisition and application will be the key drivers of success. Many venture capital companies connected with high-tech start-ups, also make it a prerequisite for the SME to have some demonstrable management team capability in place to take things forward. This is a very good reason for the SME to invest in staff and, in particular, in managerial development. Two levels of development are required, at senior management and the lower employee levels. Both of those levels are extremely important in the growth and development of the SMEs. A range of personnel were found to be responsible for human resource (HR) activities, including the identification of development needs. In many cases this work is undertaken by senior managers themselves. A pattern of involvement by such parties is common in the SME sector. Employee development is seen as a way to improve and enhance the personal value of individuals. The skills and competences of knowledge workers need to be continuously developed in order for them to produce valuable contributions to a company. If not, as with other tangible assets, their value will depreciate. SMEs have to provide appropriate professional development activities to their employees.

In terms of a toolkit to be developed to help SMEs professionals, their approach to managing their human capital and ensure longer-term growth, a number of areas of content were identified from the research. These include:

- **strategic HR planning including assessment of labour availability**;
- **professional recruitment and selection**;
- **training needs analysis of new and existing personnel**;
- **performance appraisal**;
- **pay and reward strategies**;
- **career planning and development**;
- **HR policies and procedures**;
- **employment legislation**.

It would also be possible to cover some of these areas through placing a particular HR focus on soft skills development included in any senior management development programme to be run by the university.

### 5. Conclusions
The management leadership and support are perceived to be the most critical factor, whereas measurement was the least. The critical factors of success in KM as well are useful for both managers and researchers. Since SMEs may not be able to manage all aspects of KM at the same time, an ordered list of the factors of success will provide a clue to SMEs to prioritise and adjust their KM practices.

Concerning the human capital and KM, the companies are considering how to grow their managerial talent at both the top of the organisation and at the next level down. A number of factors such as lack of resources, availability of personnel for release to undertake development programmes and types of development opportunities available were hindering their progress. Their small size and lack of specialist in HRM expertise, in terms of strategic HR planning, talent identification and utilisation in terms of career development, are very obvious.

**Bibliography:**


