

Knowledge Management : Pressing Need for Business Organisations

PROF. DR. B. B. KAMBLE

*Associate Professor in Commerce
Mahatma Phule Mahavidyala,
Pimpri. Pune-411017.
Maharashtra, India.*

PROF. S. R. SHINDE

*Associate Professor in Commerce
Mahatma Phule Mahavidyala,
Pimpri. Pune-411017.
Maharashtra, India.*

[Email ID :- s.r.shinde2013@gmail.com](mailto:s.r.shinde2013@gmail.com)

ABSTRACT --*The value and importance of knowledge, as seen by numerous organisations today, does without a doubt play a crucial role in the current ever-challenging and aggressive business environment. As a result, businesses that aspire 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. With the realisation of KM, the systematic management of organisation knowledge - a strategic corporate asset not to be taken lightly; can thus be created, transferred, shared and, utilised, in pushing for greater organisational competitiveness, innovativeness and, productivity.*

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. This research paper examined the factors that help to improve business performance.

KEY WORDS: *Knowledge Management, KM Process, Success Factors, Small and Medium Size Enterprises, Competitiveness.*

I. INTRODUCTION

In today's business world, the perception and inclination of knowledge is gradually increasing. In this day and age, knowledge is viewed to be the most important organisational resource that carries unprecedented value and therefore should not be left unscrutinised as compared to conventional business assets, such as land, labour and capital. As a consequence, knowledge together with change and globalisation has become the most important driving force and commercial asset of the 21st century economy. It is this so called 'knowledge' that has in fact become an emerging crucial resource popularly known as Knowledge Management. Firms, who are seen to have accepted and undergone KM activities as part of their business processes, are undoubtedly reaping the continuous benefits of what KM has to offer. As a result, a number of private and public organisations, attracted by the lucrative returns of what KM has

to offer are therefore being lured and seemingly delighted in embracing and implementing KM. Small and Medium-Size Enterprises [SMEs) are often regarded as the backbone of industrial development and important source of economic growth. For this reason, SMEs plays a crucial responsibility in boosting the financial expansion in every country especially in meeting up with the challenges and demand of the current worldwide business environment. Knowledge Management 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. The main purpose of this paper is how to effectively establish and sustain good knowledge management practices in SMEs in order to ensure their competitiveness in the new business environment.

II. CONCEPTUAL BACKGROUND

Knowledge is the possession of information or the ability to locate it Samuel Johnson wrote in his early dictionary: "Knowledge is of two kinds: we know a subject ourselves, or we know where we can find information upon it." Today we know that knowledge can be divided into two categories: tacit and explicit. Tacit knowledge is expertise that's difficult to document. It is knowledge acquired and stored in employees' minds, such as experiences with processes, tools, techniques, customers, managers, suppliers, and co-workers. It is also knowledge gained through study of job-related material such as business journals or trade publications. It is almost never captured for retention outside of the employee. Explicit knowledge, on the other hand, is that which is codified in documents, databases, e-mails, photos, drawings, etc. It exists in physical media and can be accessed by workers if they know where to look for it. Knowledge has been defined in other ways.

III. OBJECTIVES OF THE STUDY

The present study was carried out with following objectives in view.

1. To study the concept of Knowledge Management.
2. To study the Knowledge Management success

factors.

3. To study the Knowledge management strategy for SMEs.

IV. RESEARCH METHODOLOGY

For the present research study the data pertaining to the above objectives was collected and reviewed the literature on the topic concerned. The literature was thus collected by visiting various libraries. Some Government offices were also visited for getting office record and statistical data. The secondary data is also collected from various websites.

With the above objectives keep in mind the instructed Interview Method and Desk Research Method was basically adopted. The Secondary Data is collected from various reference books related to SME, Knowledge Management, Management, Commerce & Management, and Marketing & Finance etc. For said research study secondary data is also collected from the National and International Research Journals which are related to Commerce, Management, Marketing and Knowledge Management.

V. HYPOTHESIS OF THE STUDY

The Hypothesis of present research study is as under :

H1 : In today's business world, the perception and inclination of knowledge is gradually increasing.

H2 : KM is best tool for SMEs management and performance improvement of SMEs.

VI. KM SUCCESS FACTORS:

To date, numerous studies had been carried out to identify the acceptance of successfactors in the perspective of SMEs. Since then, successfactors have provided important meaning to KM through the identification of the core business process that is critical to the success of KM adoption in the SME sector. Based on the review of literatures undertaken, five success factors are to be considered and determined in this study: Culture; leadership; employee participation; ICT and organizational structure. Each of the critical factors will be discussed in the following sub-section.

1. **Culture:** Each and every organisation conjures and delivers its very own unique significant culture, which inevitably includes values, norms, attitudes and behaviours (Ramus, 2001) that characterised the day-today functioning of an organisation. While culture is not the only determinant in the success or failure of a business, a positive culture nevertheless can bring significant advantages to an organisation in terms of providing an enjoyable working environment that increases business performance. This will inevitably increase the level of teamwork, sharing of knowledge and openness to new ideas amongst workers. A culture

that acknowledges the importance of sharing knowledge among organisations are in fact important and should therefore be crucially considered especially when implementing KM. Hence, the significance of a culture is there by recognised as a major contributor to KM as it represents a major source of competitive advantage for organisations especially SMEs in improving their business performance (Wong, 2005), thereby increasing innovation, creativity and providing more opportunities for SMEs to compete.

2. **Leadership:** Management leadership plays a key role in influencing the success of KM. It is therefore strongly supported by Singh (2008) that the importance of leadership should not be taken lightly especially the well sought after leadership styles, in making sure that KM processes runs smoothly. Leaders are important in acting as role models to exemplify the desired behaviour for KM. Hence a leader such as the manager should therefore be able to influence his or her workers to accomplish their objectives and directs the enterprise in a way that makes it more cohesive and coherent in obtaining the desired organisational results. Likewise, an effective leader capitalises on employees' strengths by making effective decisions and reacts promptly to changing conditions. Consequently, the support and commitment provided by leaders should therefore be ongoing in improving an enterprise business performance in contributing towards the success of KM, eventually making leadership a critical factor in supporting the KM initiative. In essence, it is this leadership support that enables KM to be implemented in organisations all over.

3. **Employee participation:** Effective employee participation brings promising employee satisfaction, quality improvement and productivity enhancement in SMEs (Pun et al, 2001). Hence, it is unquestionable that employee participation does play crucial in achieving KM initiative. By functioning in a knowledge-intensive enterprise, employees are able to apply their diverse skills and experiences in work processes and problem solving matters. With this, it is essential for all employees within an organisation, especially SME whereby agility and responsiveness at all levels are to be considered as sources for competitive advantage (Mc Adam and Reid, 2001). Therefore, encouraging participation is important in fostering the spirit of teamwork among employees to ensure that accurate information is able to reach the right individual at the exact time, which is the true goal of any KM initiative within SMEs. This will inevitably promote employee participation in promoting a culture of sharing (Chin et al., 2008), not only knowledge but essentially crucial knowledge to further increase organisational performance.

4. **Information and Communications Technology (ICT):** ICT does play a very significant

and crucial role in assisting SMEs in creating both business opportunities and combating competition pressures. It seems that the effectiveness and efficiencies of ICT in supporting KM adoption is an essential requirement at the very beginning and across the KM maturity stages. Besides Maguire et al. (2007) had supported the realisation of how firms' competitive advantage can be achieved by adopting ICT and KM in SMEs. Hence, greater use of ICT may inevitably help firms increase their overall efficiency. By utilising tools such as e-mails, groupware, the Internet and intranets, employees within dispensable knowledge can be identified and connected to each other by sharing indispensable knowledge. In addition, according to Wong, it is therefore irrefutable that one of the key enablers for implementing KM is ICT.

5. Organisational structure: In terms of structure, SMEs have distinct advantages when it comes to implementing KM. Rasheed (2005) had theorised that SMEs have a much simpler, flatter and less intricate structure, which thereby ease the change initiative across the entire organisation since functional integration, consisting of both horizontal and vertical, will be easier to attain. With this, he further iterates that fewer complications will be encountered by SMEs in implementing KM as they have an advantage over large enterprises in respect to this structure. In SMEs/the managers are in most cases the owners, which imply that decision-making is centralised, with fewer layers of management (Rasheed, 2005). Thus, the advantage for proprietors in SMEs, is that they become the key drivers for KM adoption, assuming of course that they do somehow appreciate the importance of KM.

VII. KNOWLEDGE MANAGEMENT FOR SMALL AND MEDIUM ENTERPRISES

Small and medium-sized enterprises are the subject of much study and debate in the United States, as well as around the world. Widely recognized for their contributions of innovation and jobs creation, SMEs are often poorly positioned to maintain their growth patterns and at the same time adapt to what many of them find as a bewildering and wildly changing business climate. The influence of information technology, and the emergence of the economic power of information, can overwhelm a small business unprepared for its impact or unfamiliar with its rapidly changing uses.

Knowledge Management Strategy For Small And Medium Enterprises- The small business, by its very nature, normally has a high degree of informal sharing of tacit knowledge. Many people contribute and have expertise in more than one functional area, and there is a tendency for employees to be multi-disciplined simply to make the business succeed. In cases where knowledge is not openly shared in the enterprise, that

becomes one of the primary objectives of a knowledge management strategy. True enterprise integration depends on the interaction of three building blocks: people, processes, and technology. These are all present at once in a successful knowledge management programme. A general knowledge management strategy can be outlined according to the architecture presented in Figure 1.

1. Leadership

- Knowledge management must be championed from the top of the organization. It will most likely be a disruptive technology and unfamiliar process. Executives must not only support but endorse, enforce and participate.
- The knowledge management strategy must be aligned with and mapped directly to the business strategy.
- A culture of sharing and tolerance of change must be cultivated.
- Benefits, including incentives, must be clear and reinforced often.
- Identification of the big issues (that have clearly identifiable payoffs] to resolve, such as customer and product information to the sales staff when and where they need it.

2. Organization

- Assessment of key processes and core competencies helps with requirements,
- Development and Strategy mapping.
- Progress and results must be measurable across the organization.
- Re-alignment of functions may be necessary to achieve optimum results.

3. Technology

- Create a baseline of existing technology and map a future state that reflects business strategy.
- Make an inventory of explicit knowledge resources and the processes that create, manipulate and manage them.
- Identify technology that will accomplish business strategy.

4. Learning

- Provide continuous, constructive feedback across the enterprise.
- Highlight successes, and reward accordingly. Build knowledge and enthusiasm.
- Encourage teaming and sharing at all levels and across multiple functions.
- Tolerate failure, and learn from it.

VIII. CONCLUSION

KM has become an accepted part in both the business and academic arena. For this reason, organisations are well aware of the importance of KM in influencing

current and future SMEs performance. Equally, measuring the business value of KM initiatives has become essential to ensure that certain business opportunities are therefore being realised.

KM also needs to be integrated into the strategic management of the organization. This 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. By identifying 'proven' critical steps, key factors and possible alternative paths to follow, this paper attempts to put into the hands of SME managers practical tools that can help them unleash the power of knowledge in their organizations.

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