

# Knowledge Management: A Topic for SMEs(?)

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**Abstract:** Knowledge has always been a key matter for survival and progress of any, even the most "common" business. The leaders of smaller businesses need to understand the value of knowledge and how to treat it systematically. The goal of this article is to show that smaller businesses should not ignore knowledge management because they think it is a topic for large organizations or because it is too sophisticated or expensive.

**Keywords:** Knowledge Management, SMEs, Organizational Development

## 1 Introduction

Many managers of smaller firms fatally underestimate knowledge management under a false impression that it only matters for larger organizations. Knowledge has, however, always been key matter for survival and progress of any, even the most common business. The leaders of smaller businesses need to understand the value of knowledge and how to treat it systematically.

The goal of this article is to show that smaller businesses should not ignore knowledge management because they think it is a topic for large organizations and because it is too sophisticated or expensive. It is true that technologies, even the sophisticated ones, are used in knowledge management. Culture and behavior are far more important, though, which will be illustrated by practice of renowned global companies. Most importantly, this article offers examples of KM activities easily applicable into the practice of smaller firms that are not demanding financially nor organizationally.

## 2 What Is Knowledge Management and Is It Too Sophisticated and Expensive?

Dalkir (2005) defines knowledge management as systematic coordination of people, technology, processes, and structures in organizations in order to add value through the promotion of creating, sharing, and applying knowledge and through feeding valuable lessons learned and best practices into corporate memory in order to foster continuous organizational learning.

Technologies play an important role in knowledge management. However, a lot of effective tools and practices are not (primarily) technology-based and a lot of technologies used in knowledge management are not technologies originally developed for KM purposes.

Moreover, experience of the leaders in the field says that a bigger part of KM is culture and, not technologies (Bureš, 2007). This notion is supported by the concept of a learning organization, where "people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration

is set free, and where people are continually learning to see the whole together” (Senge, 2006, p. 3).

The efforts to approach knowledge systematically would not be effective without the culture emphasizing positive attitude towards change and values like trust, openness, cooperation, creativeness, experimenting, and continuous learning; where human and social capital is not considered the biggest organizational asset; where the leadership styles do not represent, form, and support the above values; without flatter/boundaryless structures, decentralized decision-making, and opportunities for employees’ initiatives (Cejthamr & Dĕdina, 2010).



**Fig. 1** Pillars of the learning organization

### **3 Knowledge Management in SMEs and How To Start**

As mentioned before, small businesses feel that knowledge management, similarly to organizational culture or strategy, is matter for corporations. One reason is probably the way these topics are popularized among businessmen. They feel that they do not quite understand them and that specifically knowledge management is too sophisticated and even expensive. According to some sources, knowledge management seems like something that is heavily based on advanced technologies not affordable for small businesses (Bureš, 2007).

So how can a small business start thinking about knowledge systematically? First, they need to understand the key competences for survival, operational ability and progress in their industry and how they can acquire them. For most small businesses, this knowledge is tightly connected to the people they work with. So, the very fundamentals of knowledge management start with thinking about whether there is enough quality and quantity of human capital, what to do to maintain and develop it when it is available, and how to find and attract it when it is not. Deficit of quality personnel is becoming still a bigger and bigger problem for a growing number of industries. It starts with knowledge acquisition, then preventing the knowledge from “walking away“ along with the leaving employees, and the ways to “copy“ the valuable knowledge throughout the organization all the way to the point when businesses are able to routinely apply new knowledge and incorporate it into virtually any aspect of their activities. The next, core chapter of this article provides a few practical tips and real-life examples of good practices in all of these mentioned areas in a structured and very comprehensive manner.

In the previous chapter, the key role of organizational culture was mentioned. It is definitely the way to begin, and not only with knowledge management. As the decisive knowledge “holders“ are still people, a good example can be core values and principles focused on employees at Hewlett-Packard. The company has defined a set of key values and assumptions driving the overall behavior of the company in the new economy, which is often referred to as knowledge-based. Not all of them are necessarily or directly KM-related, but they are all key for survival and growth in any kind of industry, not only the ones that are the most dynamic and knowledge-intensive like the IT sector. These are called people-centered practices and include (Kreitner & Kinicki, 2012):

1. Job security
2. Careful hiring
3. Power to the people
4. Generous pay for performance
5. Lots of training
6. Less emphasis on status
7. Trust building

## **4 Case Studies, Examples, and Tips for Knowledge Management Application in Smaller Firms**

### **Phase 1: Knowledge Acquisition/Creation and Capture**

**Leading principles:** openness, respect to the people (as the main source of knowledge), careful hiring (systematic approach to search, attraction, selection and management of human resources), continuous learning

**Key question:** How to get the knowledge we need and how to capture it?

Some businesses are virtually obsessed with crying out that there are not enough good people. Rather than this, they should be equally as obsessed with exploring the ways to find them (e. g. through long-term active cooperation with schools, by better management of HR and thus by an increased ability to promote themselves as good employers, etc.). The effort to present a company as an attractive employer is much easier and cheaper today, for example with good use of social media.

Thinking about how to separate knowledge from (concrete) people is a legitimate and necessary process. This is largely not just about replacing people with machines or other people. It is about the ability to make knowledge explicit and capture it when it is necessary or about systems of newcomers/juniors training/orientation, for example through mentoring or action learning in case of tacit knowledge (Mládková, 2005).

### **Example 1: Fluctuation in hospitality business**

Relatively high fluctuation is common in the restaurant industry in Slovakia. In this example, we are taking this as a fact and do not try to find the ways to prevent it. What we are dealing with is the ways to prevent changes in quality when key people are leaving, namely the meal quality after a chef’s departure. How many restaurants are thinking about a serious threat that their chef will leave? How many of them are serious enough in looking for a possible

replacement? How many of them are systematically creating opportunities for prospective new chefs to learn from seniors while they are still here? How many of them systematically keep and update detailed recipes and how are they made available for prospective new cooks so when there is a change in this key post, the customers do not notice a dramatic change in the taste of their meals? All these things are considerations and tasks for the restaurant managers, and they relate largely to knowledge management.

### **Example 2: Performance management and continuous learning**

The question in this example is not whether to provide learning opportunities for employees but how to make the learning systematic. A lot of companies do some training, but many times, this training is ineffective and even annoying. This approach can be called something like „training for the sake of training“. So how to make our development efforts a meaningful activity? How do we know what the learning needs are and how to individualize them for every employee? It starts with performance management. Managers should regularly provide feedback to employees about their performance. It is not primarily about criticizing people when they do not perform well. The main purpose of performance evaluation is to assure that well-performing employees feel appreciated and that their positive impact continues or even grows and to assist in case people struggle in their jobs (Kreitner & Kinicki, 2012). In one case, employees might be ready for promotion, which can require specific learning needs (e. g. in management skills). In another one, we need to identify the causes of underperformance. Very often, they rest in deficit of some important knowledge (e. g. IT skills). When we ask how to arrange training activities in our company meaningfully, using the findings from performance evaluation can be a good start. That, however, assumes that we do performance management (right).

### **Phase 2: Knowledge Sharing and Dissemination**

**Leading principles:** cooperation/teamwork, communication, and support

**Key question:** How to spread knowledge throughout the company?

Now that we have gained and captured knowledge, we have to make sure it is available where it is necessary. It might be surprising, but even in this culture it is more important than anything else to include communication and information technologies. This is even more significant in the case of the most valuable kind of knowledge – tacit. Tacit knowledge is defined as something very complex (sometimes so complex that it is not only hard to transfer but also hard for ourselves to even realize that we have it and what exactly it is), experience accumulated over a long time, excellence in doing something, ability to cope with unique situations, etc. (Hvorecký & Kelemen, 2011).

### **Example 1: Salesforce training in a small company**

A small business has four sales people. For a longer time, the situation with their performance is that one of them is performing very well and the remaining three are behind. The management tries to deal with this situation by sending them to various trainings and by quite frequent changes in these positions. External trainings are not very effective as they are not responsive to the unique context of the sending company. Moreover, the trainings are quite

expensive and because they require frequent absences of the already too busy salesmen, they are also a source of more unnecessary stress. The company has never even thought about the alternative of involving the well-performing colleague in the development process of the remaining team members. It does not necessarily have to mean a lot of time for the senior to spend by lecturing or mentoring although these are also choices to consider. The development could rest in the opportunity for the juniors or newcomers to observe the work of the top performer directly in action. This would, however, assume existence of culture of support and team spirit rather than unhealthy internal competitiveness.

### **Example 2: Departments As Knowledge Communities at VSM**

Vysoká škola manažmentu (The School of Management) lacked the system of learning content update as well as the ability to maintain standards in various programs and geographic locations shortly after it was established. These problems have largely been removed by a unique approach to otherwise traditional organizational bodies of higher education institutions – departments (katedras). Rather than a part of an organizational hierarchy, katedras were built as communities of practice based on the principle of natural networking of experts in particular fields (mathematics/statistics, marketing, finance, IT, etc.), serving as a platform for exchanging ideas and experience aimed both at the learning content and teaching methods. The role of the department heads in this kind of setting was to serve as facilitators, coordinators, and intermediaries between the community and the rest of the institution (other communities, management, etc.).

### **Phase 3: Knowledge Understanding and Application**

**Leading principles:** innovativeness, curiousness, experimenting, knowledge-based actions

**Key question:** How to apply knowledge meaningfully?

The main purpose of the systematic approach to knowledge should not be just to gain and share the knowledge but mainly to use it practically in every possible aspect of organizational activity – innovations of existing or new products/services, increasing of efficiency of processes and overall company's operations, improving and acceleration of decision making, and building any business functions on knowledge (Kubička & Stropková, 2013). Both of the upcoming examples demonstrate one more important thing companies realize after they start treating their knowledge with particular care. By the way, this could also be observed in one of the previous examples. Often, it is not necessary to look for new knowledge outside of the organization. Surprising wealth of knowledge is already available and waits to be discovered, sometimes just through careful consideration, sometimes by chance, or via the use of advanced but not necessarily expensive technological solutions and analytical methods.

### **Example 1: Data-Driven Marketing in a Small Manufacture**

A small manufacturing company producing original wooden ties is using social media as the main distribution channel. This enables wide and quite cheap and easy (but still legal) opportunities for customer profiling. How would you estimate a customer prototype of this business? You would probably say it is a male, probably a younger white collar not sticking to conventions so much, coming from the richer parts of Slovakia – west, maybe regional capitals, maybe Bratislava. OK, quite an interesting description. What is the truth, however? By checking the basic data in the orders (that could have been done with any kind of orders whether sent via email, traditional post, etc. – you just need to do the analysis and that is often the main problem), you would discover that there is probably a difference between who wears the tie and who orders it. How would you otherwise explain the fact that a typical customer of the wooden tie producer is a woman? She comes from Eastern Slovakia and probably considers a wooden tie a luxury but still affordable gift for her husband or boyfriend. Thanks to the richness of information provided by social media, you can learn more than in case of traditional channels. Further analysis made the customer profile even more precise – a typical customer of the company is a married middle-aged woman from Eastern Slovakia. After adjusting advertising campaigns based on this knowledge, the orders of the company increased by 100% before Christmas 2018 (Rybanský, 2019).

### **Example 2: Beer With Your Diaper**

If you are afraid of the terms business intelligence or datamining, check the following story. As an aid in product placement, a chain of convenient stores conducted a market basket analysis – a statistical method studying what items customers tend to buy together. One of the store manager's hypotheses was to place all items related to infant care together (which is conventional wisdom in this kind of stores). A simple correlation check was run to validate that mothers of newborns did in fact tend to buy items such as baby powder or cream when they came in to purchase diapers. To their surprise, the highest correlation for an item that tended to be bought at the same time as diapers (baby size/format) was a case of beer. This was explained by the observation that it was probably the fathers who were more likely to be sent to the store to buy more diapers, and while they were there, they tended to pick up other items they considered equally essential (Dalkir, 2005).

### **Example 3: Expert System in a Travel Agency**

At the end of this part – one more example, this time from the “scary” field of artificial intelligence. AI is typically not a sci-fi robot hard to distinguish from a human. AI has been around for a while and it helps us with a lot of practical things, such as monitoring health or decision making. One of the examples of how AI is applied in business is expert systems. They are defined as automated reasoning systems that deduce or infer a conclusion based on the provided inputs (Kelemen, 2007). The company exsys has created an expert system helping travelers interested in the Caribbean to select the most suitable island for their holidays. Instead of complicated and mainly time-consuming study of various catalogues and other sources, the travel agency clients just provide important inputs in the form of criteria such as cleanliness of beaches, accommodation affordability, opportunities for diving, night life, etc., and the system produces the results with a recommended destination in a matter of seconds without the necessity of long talks with an agent experienced in the area (if such a person is available at all).

## Conclusion

This article intended to aim attention of smaller businesses at the importance of systematic approach to knowledge. It explained the domain of knowledge management as well as KM practices easily applicable in SMEs in a comprehensive manner supported by a variety of real-life examples. In this way it also wanted to disprove the opinion that knowledge management is only necessary for and affordable by larger organizations.

Knowledge management often starts by awareness of the crucial role of knowledge in any business and of what knowledge we have and need so our business can smoothly run and grow. Further, even smaller businesses need to focus on what to do to be able to acquire, share, and apply knowledge. Effectiveness of these efforts is influenced more by organizational culture and behavior than anything else, including technologies. Culture supporting knowledge management should promote values such as openness, continuous learning/improvement, respect to people, empowerment, trust, and cooperation/communication.

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