

## Chapter 82

# Understanding Knowledge Management Spectrum for SMEs in Global Scenario

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### **ABSTRACT**

*Knowledge that exists within organization is a sustainable source of competitive advantage. Though enormous research on knowledge management (KM) has taken place, little focus has been on KM in Small and Medium Enterprises (SMEs). Globalization of supply chains, rapid technological advances, superior returns on intellectual capital, growing importance of knowledge-intensive industries would make KM a strategic tool in the growth and success of all, especially SMEs. KM-enabled SMEs are essential for competitive and sustainable growth. Hence a judicious approach for KM in SMEs is a must in current scenario. Done by an in-depth literature review and contextual analysis, the objective of this paper is twofold - to aid researchers in recognizing and understanding KM spectrum for SMEs in a globalized world and for SMEs to reckon that success and worth of businesses depend more on intellectual capital than physical assets merely.*

### **INTRODUCTION**

The velocity and dynamic nature of markets has created a competitive incentive among many companies to leverage their knowledge assets as a means of creating value and achieving a competitive edge. Thus the focus on knowledge management (KM) has become critical area for small and medium sized enterprises (SMEs). In particular, the management of knowledge assets may provide small firms new tools for survival, growth and maintaining a sustainable competitive advantage (Omerzel & Antoncic, 2008). There is a general consensus globally that SMEs fall behind large organizations in developing KM practices and exploiting fully the benefits thereof. This is also reflected in a literature gap as till date there is no dearth of literature describing large companies' successful KM practices. But the reasons why small firms show poor usage of KM tools are still unclear. In fact, little empirical studies have been

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conducted to identify the factors influencing KM adoption in SMEs (Finkl & Ploder, 2009). In addition, there is a growing need for qualitative analysis of the effects of knowledge management practices of networked SMEs (Valkokari & Helander, 2007). The potential which KM offers in improving efficiency and innovation has been cited as a key source of competitive advantage (MacKinnon et al., 2002). Despite this pressing need, it is widely accepted that small companies – even the most knowledge-intensive ones – are characterized by a lack of uptake of KM initiatives (Nunes et al., 2006). This may be perhaps due to the reason that KM systems are expensive to purchase, use and maintain. The aim of this paper therefore is to understand the spectrum of knowledge management for SMEs in globalized world. The paper also intends to propose alternative approach to developing KM systems for SMEs in developing economies. Instead of usual approaches, where KM needs heavy financial and other resources, study suggests solution centric approach (Patrick & Dotsika, 2007).

## **LITERATURE REVIEW**

Small and medium enterprises (SMEs) make substantial contributions to national economies and are estimated to account for 80 percent of global economic growth (Pavic et al., 2007). Today in the competitive business environment knowledge is thought to be the primary resource (Baporikar, 2016). The conventional factors of production have become secondary. It is straightforward to obtain them, provided there is knowledge (Chen et al., 2006). Davidson & Griffin (2003) pointed out small businesses have contributed many innovative ideas and technological breakthroughs to our society. In order to maintain and develop further their innovative skills SMEs need to develop their understanding of knowledge management (KM), as a key business driver rather than as a resource-intensive additional initiative (Zanjani et al., 2008). “KM has become the latest strategy in increasing organizational competitiveness” (DeTienne & Jackson, 2001). The critical 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 vital factor in realizing and sustaining organizational success for improved efficiency and innovation. Today, knowledge is the primary source of competitive advantage and the key to success for organizations in the knowledge economy (MacKinnon et al., 2002; Patriotta, 2003). This study analyzed different aspects of KM for SMEs with respect to developing countries and proposed strategies for better implementation of KM programs in developing countries.

Further globalization and regionalization of the global economy intensify competitive pressures on enterprises. The ability to compete on the domestic and international markets can be ensured by factors, which provide the foundations for the building of the knowledge-based economy (Dorożyński, et al 2016). Small and medium-sized enterprises (SMEs) face more serious challenges to their survival than do larger firms (Baporikar, 2013b). To succeed, SMEs must establish and maintain credibility in the marketplace to attract the resources required for survival (Winter, et al 2010). The nature of strategic intelligence and the challenges of systematically scanning and processing strategic information have changed. However, much of the intelligence is collected through informal and manual based systems. Turning data into analyzed, meaningful intelligence for action is limited to a few industry leaders and mostly owners in most of SMEs (Baporikar, 2016). Over the past decade, the strategic use of information systems has played an invaluable role in the explosion of information technology. However, adopting a strategic information system is rarely successful without the necessary care and attention and implementation of information systems is a high risk, high reward decision (Baporikar, 2014c). The impact

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