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KNOWLEDGE MANAGEMENT AND ORGANIZATIONAL EFFECTIVENESS AS A SUCCESSFUL PATH TO GLOBALIZATION FOR SMALL AND MEDIUM ENTERPRISES

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Abstract

The purpose of this paper is to study the influence of knowledge management as a critical component of organizational effectiveness, which in its turn influences a successful path to a globalization strategy for small and medium enterprises (SMEs). It is critical for SMEs that knowledge management be enable effectively and efficiently solving the problems, managing dynamic learning, strategic planning and decision making; by analyzing previous literature reviews on the subject of Knowledge management challenges of SMEs, regardless of the financial and human aspects. The significance of this study will affix the knowledge about current issues relating to SMEs in Malaysia in cognitive capital perspective. The article highlights the common issues related to knowledge management, which can be implemented successfully to a business strategy.

Keywords

Knowledge Management, Research and Development, SME, Globalization, Economic Growth, Organizational Effectiveness

1. Introduction

In the world of business development every new company starts off with special needs- but after the few years of trading or of a new product launch or project those needs change (Susannah Schofield 2013). Each production element, a component, a device, a subsystem, a module or service bundle, becomes a potential product to compete with in the global market (Ilan Bijaoui 2017). The key to any successful global business is not to make quick judgements built only a few comments.

Fundamentally SMEs have inner core beliefs which are similar. To be successful the firms need to understand all its customers base, need to ensure employees understand customers base, and most of all need segment customers base to talk to them accordingly (Susannah Schofield 2013). Once the firm had gained globalization experience, it would set its eyes on international markets that are psychically distant.

Knowledge management is fundamentally the management of corporate knowledge and intellectual assets that can improve a range of organizational performance characteristics and add value by enabling an enterprise to act more intelligently (Gupta et al., 2002).

Knowledge Management is a process that helps organizations identify, select, organize, disseminate and transfer important information and expertise that are a part of the organizational memory that typically resides within an organization in an unstructured manner.

This enables effective and efficient problem solving, dynamic learning, strategic planning and decision making. Knowledge management focuses on identifying knowledge, explicating it in a way so that it can be shared in a formal manner, and thus reusing it (Gupta. et al., 2002). Many frames work for knowledge Management processes have been identified. This study examines how knowledge Management can be related positively to organizational effectiveness.

Organizational effectiveness is “the degree in which an organization realizes its goals”. Effective organization satisfy their needs of their workers by providing adequate inducement to sustain required contribution. They control and motivate employee activities via goal, participation, or teamwork, not rules (Eisenberger, R., & Cameron, J., 1996).

Lara Ponomareff & Matt Dixon (2012), suggested, that for success knowledge of the market should not be harmed only by management, all staff should take responsibility of knowledge about global market depending on job titles.

Process of management knowledge mostly will be connected to the other practices and based on previous experience. Knowledge management needs to search the way of implementing

strategy with comprehensive analysis and it should be understandable and easy to use (Zhou, K. Z., & Li, C. B., 2010).

Nevertheless, management involve the best practices for the systematic and precise identification, and spread of knowledge (Robert Simon, 2013). Technology depends on how management choose, arrange, and use tools and technical knowledge which enable knowledge management.

Moreover, SMEs is responsible to supply of infrastructure of gadgets, system, (base, web sites, etc.), centralized and developed platform. (Musa, H., Mohamad, N., Rajiani, I., Hasman, N.S.B., Azmi, F.R. (2015).

Structure conducts how enterprises transform organizational structures to enable and motivate cross- discipline realizations and expertise (Robert Simmons, 2013). Coukos-Semmelweis,(2003) supported the statement, that SMEs management should interchange culture knowledge between different countries, such as staff straining, promotions of learning organizations, circle of practice, etc.

Although, Robert Simmons (2013), claimed that SMEs with global strategy should establish and raise a knowledge sharing, knowledge interchange culture.

2. Literature Review

Knowledge Management plays the very important role in SMEs structure. The major studies focus on knowledge management as aspects of productivity of being part of global business strategy.

However, some studies show positive factors related to organizational performance (Andreeva & Kianto, 2012, Kluge, Stein & Licgt, 2001; Elder, 2003; Lim and Ahmed, 2000). Apart from the SMEs knowledge management can act differently. Majority of SMEs have very simple structure and weak management. Companies have tendency to be informal, non-bureaucratic, and few rules.

Majority of the control belongs to the owner's personal administration and formal line has tendency to withdraw in SMEs. (Daft, 2007). However, Culkin & Smith (2000) admitted that it is not appropriate to have limited staff which make business planning and make decision in one person. In this case, it is the evidence that people who is responsible for making decisions directly responsible for knowledge management and benefits which go as consequences that support the company's operations.

Nowadays, SMEs' business strategy requires closer attention to all visible parts related successful business strategy (Cliff E & K. Hall 2007). This regularly conduct to the condition

where deficient time is accessible for strategic problems. In collaboration with the lack of finance and expertise repeatedly the result in knowledge being stored in owner's mind and employees shared or acknowledged through replacement (Write C, 2008).

There is still endless discussion that small business challenges the unique and narrow knowledge management challenges, but there is still an opportunity to look closer to the larger companies' knowledge. Larger companies may be different in stature, but plenty of knowledge which SMEs can successfully use in business strategy . David Ingram (www.talk-business.co.uk 2016), suggest the small and medium enterprises should learn from the large firms of the world.

Moreover, SMEs encouraged creating a business plan, which may management is not prepared, but there are some people who have already created business plan in mind. Most effective business strategy which have long term goal. Companies may review a plan monthly , whether business is blooming or no and may keep on track or add some changes. Earlier research on knowledge management in SMEs has shown many differences compared to larger companies.

Most of SMEs have no straightforward policy targeted at strategic knowledge management, and firms willing to treat knowledge management on the operational level- level of systems and instruments (Hutchinson & Quintas, 2008). In the other hand, David Ingram (2016), thinks that SMEs make a personal development plans, which likely related to developing owner and staff as well. Those developments can help SMEs in the long term goals.

Encouraging learning, training may critically help the staff to understand of targeted goals. SMEs tend to be different than larger companies. Where communication goes between the small companies, rather in large firms more cultivated internal communication. SMEs knowledge intends to be less advanced in terms of knowledge establishment and relay on social interaction (Reid & McAdam, 2001).

Also, SMEs are weaker than larger companies on sharing knowledge during the meeting and less having brainstorm (Pellegrini & Paolucci, 2003). SMEs may collaborate with larger companies through meeting and business coaching, or seminars or networking sessions. On the other hand, knowledge management activities , such as knowledge sharing , are time consuming require a certain level of trust. Durst & Wilhelm, (2011) claimed that in SMEs staff turnover is slow and it may positively grant all those attempts.

Robert Simon (2013), claimed that sufficient knowledge management increases productivity, product quality and customer service, and deliverable regularity by taking advantage on intellectual and expert system assets. SMEs before leap into document management and exploring data may consider the issues and objectives the companies wish to

achieve or the way an organization alter management knowledge to its successful business strategy.

Robert Simon is sure (2013), that knowledge management is not about only technology, thus SMEs should also consider people, processes, structure and culture.

Management experience should increase the opportunity of individuals within the organization and influence others with additional knowledge across the organization.

3. Methodology

The methodology was obtained to this research based on previous study and literatures, articles, and high ranked science and management journals. Small and Medium Enterprises are encouraged to use the conceptual frame work (Figure 3.1) for Knowledge Management to analyze and obtain the business strategy according their findings. Moreover, Knowledge Management is a critical tool in organizational behavior, which leads the company to success.

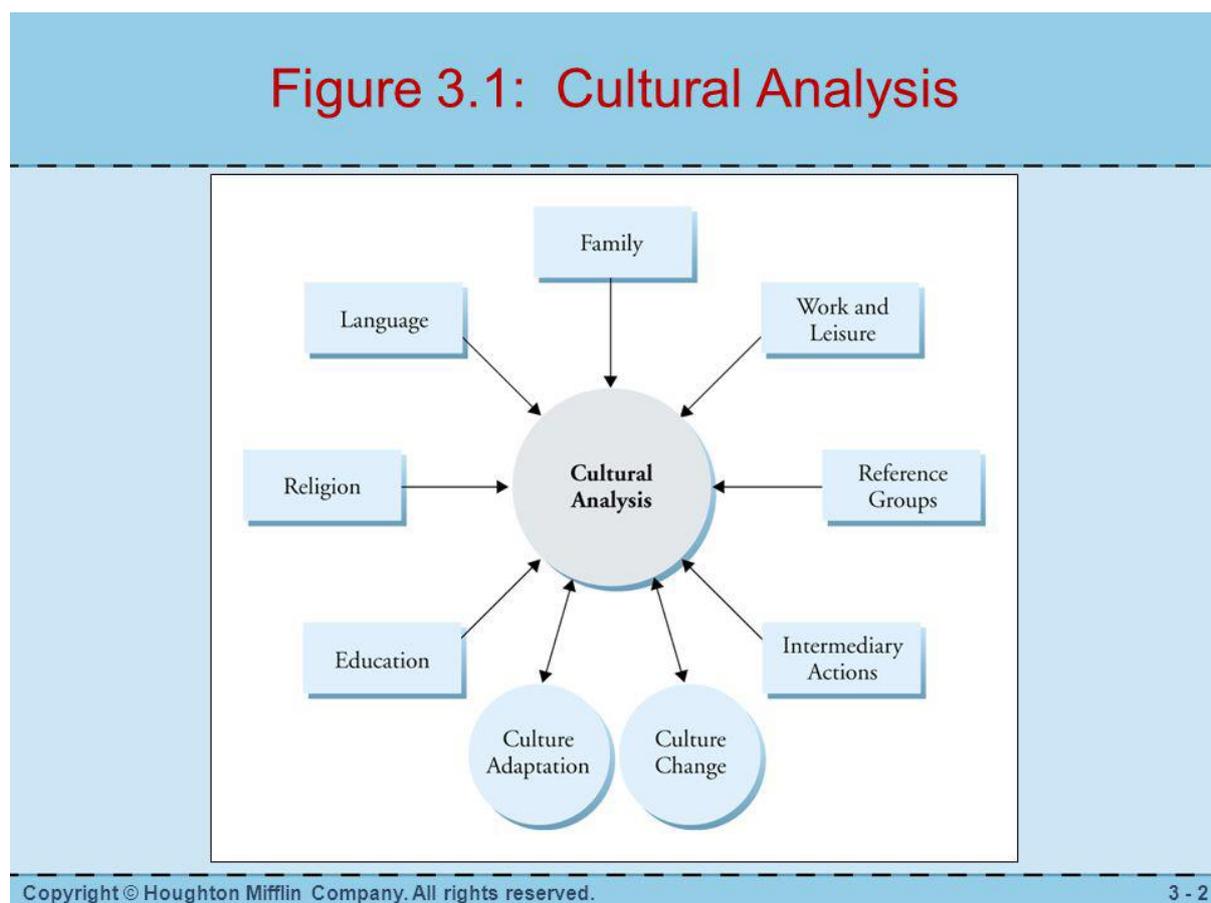


Figure 1: Cultural Analysis. Theoretical Framework

(Source: J. P. Jeannet & H. David Hennessey)

The process of analysis of the new market for the successful business strategy and development by Management, should be given the stages which Management should follow. Analyzing inner environment is as important as analyzing external environment for the entering onto the new market. SMEs suggested to use the conceptual frame work by stages to analyze and improve knowledge globally. For the Economic Growth companies should have kept the process of analyzing of external environment and alter their knowledge of the culture, languages etc.

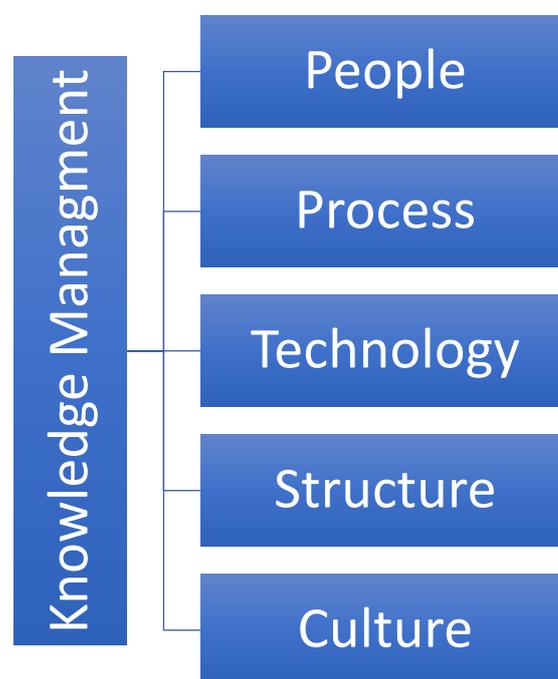


Figure 2: *Knowledge Management Conceptual Framework*

(Source: Ms. Kateryna Vorobyova, 2017)

4. Findings and Conclusion

Based on the study and the other studies can conclude, that small and medium enterprises can benefit by implementing knowledge management in the right way to contribute with globalization. Also studied literature showed, that the organizational effectiveness positively contributes with knowledge management.

Knowledge management employees should be sensitive to the different cultures, as it is very important to understand consumer's needs. Most Marketing will be implementing by local employees, with whom the global management must communicate. It is critical to be awarded of

cultural forces as if a marketer intend to market a product to a consumer, but the product offends the consumer in some way, the customer will not buy it. (J. P. Jeannet & H. David Hennessey, 2004).

The aim of the article was better understanding of knowledge management and organizational effectiveness which can be implemented by SMEs preparing to enter into the new market. Management should involve employees to build global business strategy, not matter which position they fill, and should contribute with larger companies' activities, such as meeting, business coaching, seminars. All those factors will positively contribute on knowledge amount companies and may lead to success.

Many researchers such as (Buckley, Peter J., and Pervez N. Ghauri (2004), Jean- Pierre Jeannet & H. David Hennessey, 2004), have agreed that to find information about markets and competition is more readily available at home, a firm is likely to establish itself first in its home country. Foreign demand for the firm's product will initially be accommodated by exporting.

The discussion merely suggests that, as a firm matures, it may recognize additional opportunities outside its home country. Whether the firm's foreign business diminishes or expands over time will depend on how successful it is at maintaining some advantage over its competition. The advantage could represent an edge in its production or financing approach that reduces costs or an edge in its marketing approach that generates and maintains a strong demand for its product (Maruda J., 2010, Jean- Pierre Jeannet & H. David Hennessey, 2004, Buckley, Peter J., and Pervez N., Ghauri, 2004).

Global minded Knowledge Management for SMEs is a part of Organizational Effectiveness which leads to creating a successful business strategy. More over with collaboration of the department of Human Resources Management which highly recommended to be examined and Financial Management, Marketing Management all of these departments should collaborate in creating a successful global strategy for SMEs.

4.1 Research Limitation

Several common limitations are expected in the study. It is also possible that companies may use only half of the structure or having lack of peoples' knowledge. For future research companies may be interviewed for the analysing the structure and improving their business performance. Also may be large samples applied or this research.

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