

# Chapter 12

## Knowledge Management Optimization through IT and E-Business Utilization: A Qualitative Study on Serbian SMEs

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### **ABSTRACT**

*This chapter, which is the first part of fundamental research related to optimization of SMEs knowledge management, elaborates relevant key optimization criteria. First section deals with optimizing electronic forms of communication, web site material, management effectiveness, customer management and procedures for electronic responses, channels of communication, SME cooperation mechanisms. In the second part analyzed is knowledge management optimization, modernization of SMEs, the level of use of modern information, development of employees and partners, financing the development of IT employees, the budget for information technology, innovative knowledge management in budget planning, the benefits of electronic payment cards, communication of employees and management and IT innovation. Exploration of these questions further examines impact of new technologies, IT in optimizing the development of competitive capacity and advantages from SME technological inputs and outputs. Finally, the chapter offers appropriate conclusions and recommendations.*

### **INTRODUCTION**

At the EU - Western Balkans Summit held in mid-2003 in Thessaloniki, the various Western Balkans countries (Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Kosovo, Serbia and Montenegro) formally adopted the European Charter for Small Enterprises. This decision was made within the framework of the Lisbon agenda to improve cooperation between the member states of the European Union and the countries of the Western Balkans (Eur-Lex, 2016). It reflects the commitment of these countries to small and medium enterprises (SME) as a major source of new jobs,

DOI: 10.4018/978-1-5225-1949-2.ch012

innovation, economic dynamics and social inclusion. Since its adoption the Charter has become the main platform for pursuing optimal policies for the development of small enterprises and entrepreneurship in the whole region (Ožegović & Sajfert, 2009).

In addition to the European Charter, in 2010 the European Commission also adopted the Strategy for smart, sustainable and inclusive economic growth – or briefly Europe 2020, (European Commission, 2010). This strategy builds on the Lisbon Strategy, which defines the main principles for formulating an optimal policy for the development of SMEs. All objectives of the strategy are aimed at increasing employment, strengthening research and innovation, education, reduction of greenhouse gas emissions and boosting energy efficiency and fighting poverty. The strategy defines these three main operational objectives:

1. Smart growth implying optimization of economy based on knowledge and innovation;
2. Sustainable growth implying stimulation of optimized economic competitiveness, efficient use of resources, while taking into consideration the conditions of globalization;
3. Inclusive growth fostering growth of employment and education, social protection systems and combating poverty.

From 2009 onward, monitoring of the implementation of this strategy and the progress of SMEs reform policies in the Western Balkans has been effectively carried out. The economic environment in Western Balkan countries is therefore based on the progress toward market economies and private sector development. However, besides some minor improvements of economic trends in the region, the trend of negative business development continues in most of these countries, which requires further efforts towards optimizing key factors of production.

According to leading economists and relevant researches cited in the chapter, the three reform areas that can assist the Western Balkan countries and allow them to quickly overcome the crisis, are as follows: continued fiscal consolidation, improvement of business climate and optimization of knowledge and skills necessary for economic development. These three reform areas can contribute significantly to economic growth in the Western Balkans. Fiscal issues and business climate are once again emphasized very extensively in the June 2016 issue of the World Bank Group's Global Economic Prospects (World Bank, 2016). Consequently, this chapter explores the significance of the third pillar as knowledge management optimization through IT and e-business utilization. This factor is analyzed in the context of competitiveness.

Within this framework optimization of competitiveness through IT and electronic business is considered among the most important issues in many countries and companies (Njeguš, 2009). The struggle for competitiveness is not just between companies on a national and regional level but also between countries at international level. Measuring the competitiveness of the national economy is of particular importance, given that it contributes to the advancement of business and overall economic growth (Milošević, 2014). If competitiveness in the global market is poor, then the national economy suffers, leading to protectionism, non-transparent government subsidies and barriers to enterprise development (Jokić, 2010). Optimization through IT and e-business is an effort to counter such trends (Jevtić et al., 2011) which motivates the author to explore this phenomenon deeper.

Since 2005 the World Economic Forum has based its analysis of the competitiveness on the Global Competitiveness Index (World Economic Forum, 2016). This is a very comprehensive index that includes micro and macroeconomic foundations of national competitiveness. In order to rank the national

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