Chapter 4
Opportunities and Challenges of Knowledge Retention in SMEs

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ABSTRACT

This chapter presented discussions on the opportunities and challenges of knowledge retention in SMEs. SMEs are defined as formal enterprises with less than 50-250 staff and a turnover of less or equal to10-50 million Euros or a balance sheet total of less or equal to10-43 million Euros based on the European Commission criteria among other defined characteristics while also being identified as knowledge organizations. The conceptualization of knowledge retention in SMEs provided evidence of SMEs as knowledge creators and knowledge users in their quest to effectively retain organizational knowledge as part of their knowledge management strategies to remain relevant in the society.

INTRODUCTION

Today's learning SMEs have realized the importance of knowledge retention as a critical component of knowledge management in their quest to acquire organizational knowledge and become highly relevant in the business environment. Knowledge retention plays a strategic role in the organizational performance of SMEs. According to Nunes, Annansingh, Eaglestone and Wakefield (2006), effective knowledge retention practices by SMEs leads to superior innovation and productivity. Furthermore, Doan, Rosenthal-Sabroux and Grundstein (2011) identified knowledge retention as one of the key factors that enable SMEs to maintain sustainable performance. Other organizational performance areas where knowledge retention

has been a significant success factor are individual performance and product performance (Supyuenyong & Swierczek, 2011). With SMEs positioning their organizations to enjoy the benefits of retaining their superior knowledge, some SMEs are constantly faced with challenges to knowledge retention in their organizations. Challenges to knowledge retention take several forms in SMEs. According to Mukherjee and Kumta (2016), SMEs are unable to effectively retain their generated knowledge due lack of dedicated information technology or proper knowledge management system in place. It is the inability of SMEs to effectively overcome their knowledge retention barriers and challenges that leads to the SMEs experiencing several forms of knowledge loss.

Knowledge loss is one of the detrimental outcomes of poor knowledge retention practices by SMEs. According to Durst and Ferenhof (2014), SMEs are more likely to experience knowledge loss due to the fact that a limited number of employees working for the SMEs are the custodian of the knowledge. In addition, Knowledge loss from staff turnover can adversely affect an SME's financial capital and intellectual capital (Durst & Wilhelm, 2012). Knowledge loss is a major challenge for SMEs and appropriate knowledge retention strategies and practices will enable SMEs manages their organizational knowledge effectively.

In order to aid knowledge retention in organizations, Levy (2011) suggests that there stages of defining the scope, documenting (planning and implementing) and integrating knowledge back into the organizational system should be adopted. These stages will be further explored in this proposed book chapter to explore the opportunities and challenges of knowledge retention in SMEs. It is important to state that despite the importance of knowledge retention in the management of organizational knowledge by SMEs, knowledge retention is poorly understood and it can be attributed to scant research (Durst & Edvardsson, 2012). Hence the need to stimulate more academic discourse to stir up rigorous studies that expands current understanding of knowledge retention in SMEs. This chapter proposes to address the aforementioned knowledge shortage about knowledge retention in SMEs by identifying the opportunities and challenges of knowledge retention in SMEs. The following are the objectives of this chapter:

- To provide detailed conceptualisation, identify, explain the key determinants and challenges of knowledge retention in SMEs.
- To critically analyse the outcomes and opportunities of knowledge retention challenges in SMEs.
- To provide solutions and recommendations to challenges associated with knowledge retention in SMEs.

BACKGROUND

SMEs are defined and identified as small businesses all over the world with defined identifying characteristics. According to Ayyagari, Beck and Demirguc-Kunt (2007), SMEs definitions and measures are diverse and tend to be different from country to country. Ayyagari, Beck and Demirguc-Kunt (2007) further noted that key identifying characteristics used in defining SMEs include the number of employees, sales, total net assets and investment levels. Also,Berisha and Shiroka (2015) noted that SMEs' definitions differs based on three defining bodies and authorities and they are international institutions, countries and their laws and industry. Furthermore, Berisha and Shiroka (2015) provide two approaches for the definition of SMEs and they are quantitative and qualitative approaches. The quantitative approach has been the popular approach that has widely used by academics, policy makers and other relevant authori-

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