

## Chapter 4

# Knowledge Management Strategy as a Chance of Small and Medium–Sized Enterprises

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### ABSTRACT

*This chapter shows how SMEs can compete with multinational companies. This chapter was written on the basis of practical research results. In this research, Hungarian and Slovakian SMEs were investigated from the view of a knowledge-based economy. The question was how they can face future challenges. The researchers wanted to know how SMEs handle their chance which is hidden in their way of thinking about a knowledge strategy. As a result, these companies seem to be afraid, uncertain, and think their success is only luck or a current incident. They live a “fly by night” existence, and they do not feel the importance of development, of studying, of knowledge; they run after work and money. These enterprises feel that they have to survive, and to this, they need money and financial capital. Therefore, knowledge and studying fall behind.*

### INTRODUCTION

The notion of knowledge management (henceforth KM) was born in the middle of the 1980s, but it became known to the wider public only in 1994, when a related article appeared in Fortune Magazine. Several authors insisted that it was not a new thing, it has always been part of an organization,

and its present form is only a natural product of human development (Sándori, 2001). The 21<sup>st</sup> century is the age of knowledge-based economy where the real values should be represented by human knowledge and professional skills.

The realization of the importance of knowledge as well as its privileged status is virtually as old as mankind (see the respect which shamans, wizards,

DOI: 10.4018/978-1-4666-4753-4.ch004

seers, priests, teachers, healers and, in modern times, scientists receive). Even the attempts to share, integrate and 'create' knowledge are old (council of the ancients, relationship between master and apprentice etc.). What is new and different from older times is the new ways of integrating, sharing and transferring knowledge which is complemented by information technology support. This latter is no longer a novelty, and the reason behind its widespread use are globalization and the direct needs of a global economy.

Why do we need knowledge management? The answer is that the appearance of intellectual capital in corporate statements has been more and more prominent: even though it is a factor which is difficult to express in figures, its existence and importance cannot be ignored. The more a company is able to preserve and utilize from the knowledge of its employees, the more chance it has for continuous market success. A lot of firms however are not aware of their own knowledge. Knowledge is stored in several different places (departments, workshops, plants etc.) which makes access difficult. For this reason, the firms are forced to work out methods and solutions which may have already been implemented by other organizational units.

Knowledge management allows individuals and groups to create, share and use knowledge collectively and in a controlled way in order to achieve their business goals. The basic aim is to bring tacit knowledge to the surface. In other words, knowledge management is a tool which creates competitive advantage and business value by handling different forms of knowledge. This notion is built on the concept that the most precious resource of any organization is the knowledge and experience in the head of its members.

Perhaps there is no man in the world who has not heard the saying 'knowledge is power'. If we think rationally, we can raise the question why people should share this power. Knowledge grows by sharing, it is not worn down by selling or using it (as opposed to other resources), its value

does not decrease – on the contrary, it increases. The effectiveness of knowledge transfer depends greatly on how participants communicate with each other as well as on the quality of the transferred message. Knowledge becomes power and a competitive advantage in an organization if it can be found, unified and made accessible, feasible and applicable to everybody. This power belongs to the organization and its success is organizational, not individual. (Mariano, 2013)

The economy of the age of knowledge offers unlimited resources as people's ability to create new knowledge is also unlimited. Human production can be seen as knowledge production and division as knowledge-sharing in cooperation with the clients.

## **REVALUATION OF HUMAN KNOWLEDGE**

As fast as knowledge as a productive factor is being re-valued, it loses its validity at the same pace. For this reason, it is the task of the management to replace it and maintain its value. The greater value the novelty-creating knowledge has, the more difficult it is to acquire it, and the quicker it loses its value and the more hidden it is, the greater significance it has to maintain competitive operation. Integration, handling and turning this individual (and hidden) precious knowledge into added value can only be achieved with the inventory and methodology of value management.

By the present days, value management with its conscious and system-level handling of knowledge has become a tool to enhance organizational competitiveness. Its

- **Aim:** Business development.
- **Basic Condition:** Full operation of the HR value chain. (recruiting, selection, performance management, teaching/learning, knowledge sharing and integration, motivation, layoff etc.).

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