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**ABSTRACT**

In the paper we focused on current and for many of us also specific topics, knowledge, knowledge management. The main focus, the core of our paper is focused on the issues of knowledge, knowledge management in the small business environment, implementation of knowledge management in small businesses.

**KEYWORDS:** knowledge, knowledge management, small business.

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**1. INTRODUCTION**

The knowledge management we focus on in this paper is currently a popular and frequent term in professional circles and not only in professional circles, but also in companies ... etc. In today's rapidly developing but also complicated and the changing globalized world with constantly and rapidly changing market conditions, the implementation of knowledge management, functional implementation of knowledge management in a business is a prerequisite for maintaining and increasing the competitiveness of the company. The primary role of knowledge management is to manage knowledge that is its central role in the company. At the same time, in terms of business competitiveness and performance, knowledge is a very valuable, increasingly valuable asset for a company. Therefore, the importance of intellectual capital for an enterprise in the 21st century is increasing and will continue to be one of the essential prerequisites for the company's competitiveness on the market. For the 21st century, not only by prognostics, but also many other experts from different scientific fields (management, economic and social sphere), there is the predicted period of many significant changes, deep and big changes, but also crises, more frequent economic crises, latent crises in the global economy. Exactly as also P. Drucker correctly predicted - the age of discontinuity is coming, in the 21st century the age of discontinuity is coming. We are witnessing the current state; his vision is fulfilling and will be even more fulfilled. In the 20th century - capital, investment, modern technology, high productivity, quality of products and services were considered to be essential prerequisites for the company's competitiveness on the market. In the 21st century there is a significant, substantial change, with the focus shifting to the "knowledge economy", to the knowledge economy as crucial topic itself. Capital, investment, technologies are naturally inevitable, with no doubt, high productivity and product quality, service quality is now taken for granted in the hyper-competitive and turbulent environment of today's market economy. In this paper we focus on the "Knowledge Economy" in more detail, implementation of knowledge management in small and medium enterprises, we describe the individual and particular steps of implementation.

Change in competitiveness (crucial changes)

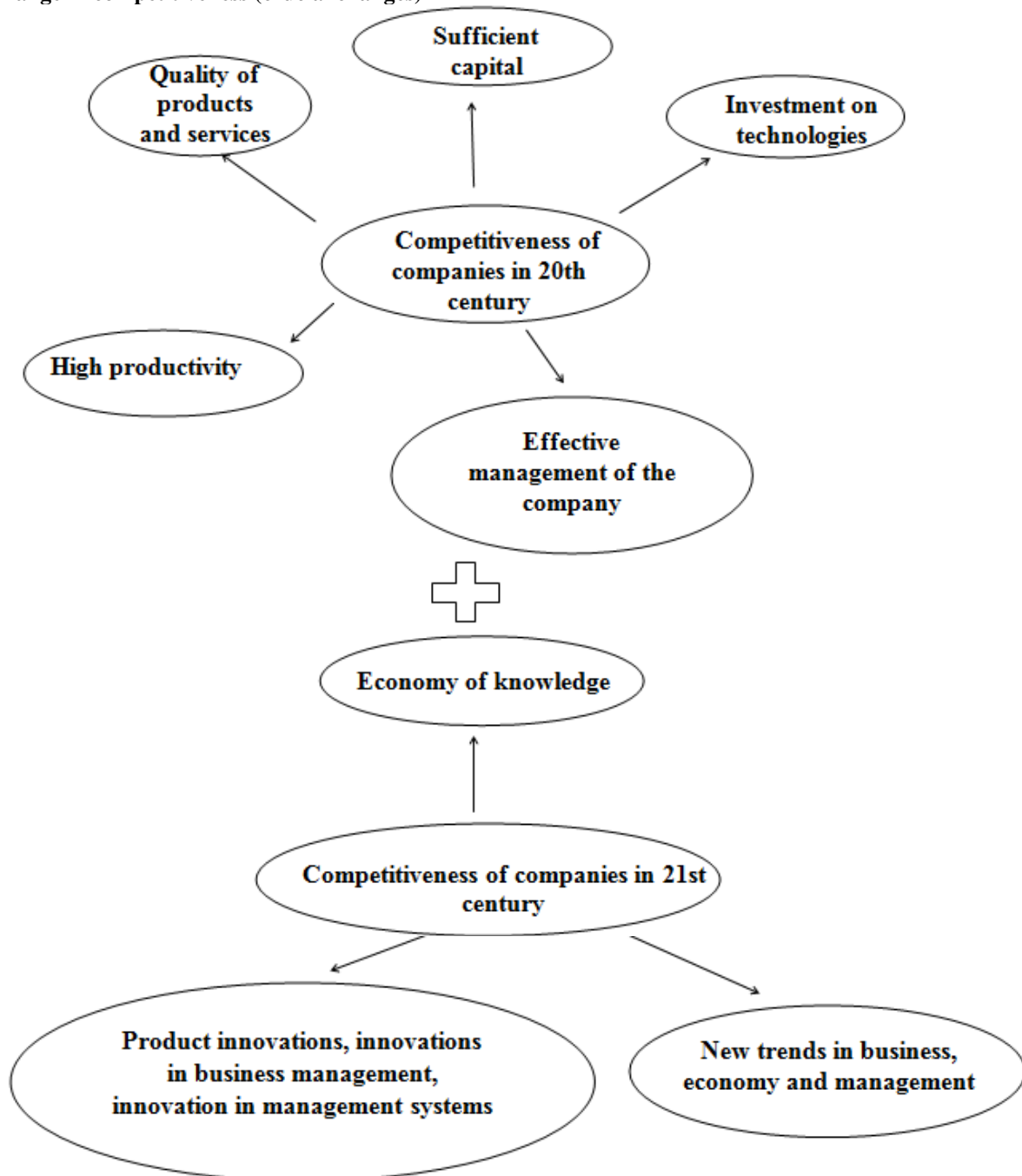


Figure 1: Change in competitiveness of companies in 20th and 21st centuries (Source: author)

**2. WHAT DO YOUR EMPLOYEES WANT FROM YOU?**

What gives some companies a fundamental advantage over others - and how you can ensure your business is one of them.

Some businesses seem to have a magical air about them - they keep growing, year – after - year, they innovate, they are places where people want to work, they succeed even when the economy is in the doldrums. But how can you help your business be like them, whatever its size or whichever industry you operate in? Companies have an advantage over others because of three clever ways in which they operate (all of which you can emulate



in your business): They have put in place innovative management structures, using 'alternative coalitions' whereby less senior management have a vital role to play in the strategic direction of the business. [1] Keep in mind, Knowledge management is about process, not about digital networks or smart intranets, the management of knowledge has to support and improve the business process. Technology is only an enabler which is strongly dependent from the organization context. [1]

We discuss knowledge management in our article, its significance, implementing knowledge management in companies, knowledge processes in companies. Identification of appropriate knowledge processes and implementation knowledge processes in companies.

### 3. WHY SMALLER-SIZED COMPANIES NEED KNOWLEDGE MANAGEMENT

Smaller-sized companies need knowledge management for virtually the same reasons that larger ones do. The world has changed, and continues to do so. There are more contenders for every dollar of profit, which puts great pressure on companies, large and small, to innovate and to develop products rapidly. Both innovation and rapid development require accelerated use of knowledge.

Economists, business strategists, and business school professors are more and more united in the belief that what you know and how you use what you know are the deciding factors for successful companies. They are realizing it's not technology or the quality of management they need to remain competitive. Companies have to know something and then coordinate and use what they know. They also have to know new things quickly.

Smaller-sized enterprises also need to know what their knowledge assets are then how to manage and make use of these assets to get maximum return. If smaller-sized companies are slow on their feet they will fail to respond competitively to the new global markets.[4]



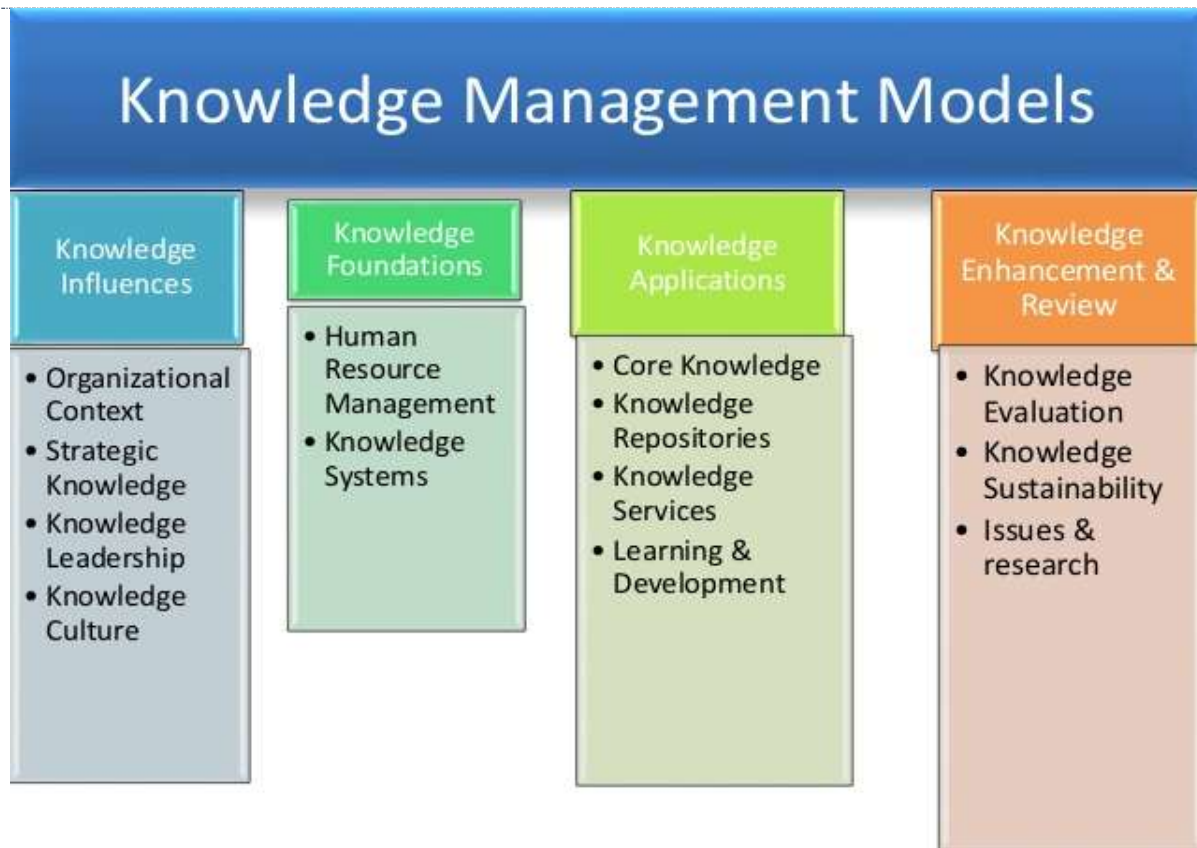


Figure 3: Knowledge Management Models [3]

The term “knowledge management” refers to how a company obtains, exploits and stores business intelligence, or the information or knowledge used to make the company function profitably. Unfortunately, many small or mid-sized firms simply wait for the giants of industry to define which knowledge should be retained and how it should be managed. Many others overlook the importance of business knowledge like customer purchase habits, developing consumer trends, or the potential impact of the economy on their target customer. Savvy entrepreneurs understand that knowledge management can become the competitive advantage that allows them to dominate their market rivals.

### Step 1

Define how your company currently manages its knowledge resources. Identify how consumer, market and product data is received. Chart out all of the channels of information intake; these will include customer service representatives (CSRs), customer comments, industry reports, contracted market analysis and many others. Conduct an audit of how the information is stored, used and what benefits your company derives from this methodology.

### Step 2

Identify the weaknesses in your current knowledge management strategy. See if there are information channels that you could be using better or that you are not using at all. Find out if the information you receive is being properly exploited. For example, customer complaints should be recognized as information on how to improve processes and service offerings, and vendors should be encouraged to share information about processes your competitors use to support transactions with them. Simply solving customer concerns as they occur or assuming vendor relationships benefit from streamlining because no one has complained yet will result in lost opportunities to improve business operations.



**Step 3**

Discover if the employees who interact daily with customers ask questions about the customers purchase experience; if they do, what do they do with that information? Consider decentralizing the control of your information system so your CSRs and sales staff can make relevant data entries as they are received. Expand the breadth of information you gather to include purchase trends, products successfully sold, and relevant purchase patterns.

**Step 4**

Investigate software options that can help optimize your knowledge management strategy while simplifying it at the same time. Understand that there are many different software packages on the market and all of them are targeted toward large firms, so this type of purchase may represent a sizable investment. Buy only after you have thoroughly balanced the costs against the benefits the package offers. Investigate Oracle and SAP product offerings to store, sort, and organize consumer data and business knowledge.

**Step 5**

Educate your labor force on what knowledge management is and its importance in the success of your firm. Incentivize the collection and optimization of business intelligence by incorporating knowledge management into your job functions and appraisal process. Make proactively managing knowledge resources a criterion for pay raises, promotions and other forms of recognition.

**Step 6**

Analyze the knowledge management strategy of firms operating outside of your industry to identify competencies you can incorporate into your own strategy. Recognize that the knowledge management strategy you are currently using might be improved upon by innovations from an unrelated industry. [4]

**4. CONCLUSION**

Small and medium-sized enterprises are an essential part of national economies; they form the spine of the national economy in every country, employ a certain percentage of employees, have a significant share of exports, small and medium-sized enterprises are relevant suppliers for large enterprises, for multinational corporations operating in individual countries. It should also be stressed, however, that the requirements for these businesses are increasing in the hyper-competitive and turbulent environment of the current market economy. Yes, we can observe several changes in the market economy, for example innovation, whether product innovation, service and business innovation, information and communication technologies, and their massive boom in business use. These changes are becoming essential factors of business competitiveness and market performance. SMEs, therefore, need to develop, grow knowledge because they need to implement innovation, product and innovation in management, need to make more use of information and communication technologies, and SMEs implement new management systems and management methods, necessary in the hyper-competitive and turbulent environment of today's market economy. Intellectual capital and its development in the enterprise; its practical use is one of the critical conditions for the competitiveness and performance of enterprises in the 21st century. Sufficient use of knowledge is a constant challenge for businesses, a challenge for all employees, especially for managers. By leveraging employee knowledge, businesses can adapt to more and more rapidly changing business conditions in the global marketplace. These facts mean for the management of small and medium-sized enterprises that they should continue in the "principal transformation", a transformation that focuses on changes of the existing business models, management approaches and management systems, management methods, corporate culture. In this context, it is necessary to reiterate the need to innovate management in SMEs, management systems used in small and medium-sized enterprises, and to implement modern management systems, such as knowledge management. Innovations of management and management systems in enterprises and SMEs, usually bringing a competitive advantage to enterprises, in these innovations and their implementation in business practice, at least one of the following conditions must be met: Innovation is systematic, it is systemically implemented in the enterprise. System implementation also means that it applies to the whole business, involves a lot of business processes and activities, it can also be the implementation of a new management system, new method or methods in the company. The innovation is based on a new principle that has not been implemented in corporate management yet.



## 5. ACKNOWLEDGMENTS

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