INTRODUCTION

There are a growing number of studies on knowledge management (KM) in SMEs for various reasons. One has been the growing realisation that SMEs are in a unique situation because their most significant assets are intangibles comprised mainly of knowledge. SMEs constitute the largest number of enterprises in the economies of both developed and developing countries, as already discussed in preceding chapters. In Germany, for example, 97.9% of all companies fall within the scope of SMEs and provide approximately 36% of all industrial investments (Wimmer and Wolter, 2000). Likewise in Australia, SMEs account for 97% of all private sector businesses and produce 30% of the nation’s output (Australian Bureau of Statistics-ABS, 2001). Handzic (2006) stresses that organizations that manage knowledge

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better will deal more successfully and effectively with the challenges of the new business environment. KM is therefore perceived to be a key factor in realizing and sustaining organizational success for improved efficiency and innovation.

Although there has been a lot of literature on the practise of KM within large organisations, the same cannot be said for SMEs. Rasheed (n.d.) argues that this is because in SMEs, the managers are also in most cases the owners, which implies that decision-making is centralized and that fewer layers of management exist. Decision-making processes are therefore shorter in SMEs than they are in large organisations, and therefore KM practices are not prevalent. However, the owners of SMEs have the opportunity to become the key drivers of knowledge management implementations in their organisations. SMEs have an advantage over larger enterprises with regard to KM because they have a simpler, flatter and less complex structure. This kind of structure can comfortably facilitate change across the organisation because functional integration, both horizontally and vertically, is easier to achieve, and fewer complications are likely to arise. Comparatively, larger organisations have a bureaucratic structure, making them slower and less flexible in adopting new schemes. However, larger organisations also have the advantage of specialization in their staff roles, which gives them better expertise in implementing knowledge management. In terms of the culture of organisation, SMEs tend to have a smaller number of people, usually united under common beliefs and values, which implies that it is easier for them to change and implement knowledge management. Generally, it is therefore easier to create a knowledge sharing culture in small-sized enterprises than it is in larger ones.

**Knowledge Management Benefits and Applications to SMEs**

Blogie (2007) underlines the benefits of KM for SMEs; top among them is the fact that organisational knowledge has become the most significant source of competitive advantage for businesses as a result of the rapid expansion of goods and factor markets. SMEs compete with limited physical assets and are thus forced to maximise their utilization of knowledge, which is their most abundant internal resource. In the global arena, where better access to external resources is expected, organisational knowledge is identified as a strategic asset that is not easily imitated by the competitors, thereby providing a sustainable edge for the firms that are aware of and use it (Bollinger and Smith, 2001). This means that in order for SMEs to succeed in their respective markets, they must ensure that they have control over their internal knowledge.

Knowledge management is an important tool in any organization, especially in business enterprises, and inevitably managers are expected to understand, appreciate
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