INTRODUCTION

Knowledge management is defined as the competitive capabilities that an organization uses to create value in its process, product, and service (Martensson, 2000). There are an increasing number of KM studies. However, KM research in SMEs is limited. Most are focused on the KM of SMEs in developed countries. KM in SMEs differs from that in a large organization (Lim & Klobas, 2000; Wong & Aspinwal, 2004). The specific characteristics of SMEs require a unique application of KM. The principles that apply to large organizations cannot easily be scaled down and transferred to SMEs. There is a need for research on practical approaches of KM in SMEs especially in developing countries.

There is also little research on the relationship between the KM process and organizational performance (Hong & Kim, 2002). SME executives...

ABSTRACT

The benefits of knowledge management are recognized mainly for the large organization. Small and medium-sized enterprises (SMEs) can also achieve the real benefits of KM. This paper investigates the relationship between the KM process and the organizational performance of SMEs. The objective of this paper is to assess the KM process and its relationship to different components of organizational performance in small and medium enterprise application service providers in Thailand. A survey approach was used with a sample of 81 respondents. The results show that knowledge organization, and retention and knowledge utilization improve individual performance, product performance, and overall organizational performance. Only knowledge organization and retention increases process performance. Knowledge dissemination influences customer satisfaction and reputation and cost reduction. These results demonstrate the benefits of the KM practices on the organizational performance in SMEs.

Chapter 5

Knowledge Management Process and Organizational Performance in SMEs

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who would like to adopt KM need evidence that the KM process will increase performance. This paper will explore the impact of the KM process on different components of organizational performance in SMEs.

The context of this study is the growing enterprise software market in Thailand. The value of this market has increased by almost 18% in 2007, to 1,776.40 million US dollars (Software Industry Promotion Agency, 2007). Enterprise application service providers are consulting companies providing complete professional services for enterprise applications such as ERP, CRM, and SCM systems. There are two types of organization in this business sector. One is the enterprise application business partner which forms an alliance with the application owner to sell and implement the system. Another is the self-developer who designs, sells, and implements its own applications. Some are Thai owned companies while others are subsidiaries of multinational companies. They are knowledge-intensive organizations which use KM as a core competence for continuous innovation (Dingsoyr & Roeyrvi, 2003). They are also project-based organizations which determine their service delivery.

This paper begins with the theoretical framework for KM related to SMEs, followed by the research methodology. The next section presents the analysis and discussion. The managerial implications and the conclusions are presented in the last section.

BACKGROUND

Knowledge Management and SMEs

Knowledge management is usually adopted by large organizations because they have a wide range of knowledge available. Large organizations have sufficient resources and capabilities for KM adoption. They have the technical competence and social processes necessary for the effective-
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