

KNOWLEDGE LEAKAGE IN SMES – HOW TO MASTER THIS CHALLENGE? BY DR. SUSANNE DURST

Talk given to HK KM Society
1 September 2014

UNIVERSITY OF SKÖVDE – WWW.HIS.SE/EN

AGENDA

1. Defining SMEs
2. Why knowledge management in SMEs?
3. Knowledge management practices in SMEs
4. Knowledge leakage



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BOLTON'S (1971) CONCEPTUAL DEFINITION OF A SMALL BUSINESS



Owned and managed by the same individual(s) – focus on alignment of aspirations

Legally independent – focus on enterprises rather than establishments

Have a small share of the marketplace – price takers

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CURRAN AND BLACKBURN'S (2001) APPROACH



Problems with Bolton's qualitative approach

- Small businesses are heterogeneous
- Small in one sector may be large in another

Prefer 'grounded approach' (asking small businesses to self-define 'smallness')

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EUROPEAN UNION'S DEFINITION



Enterprise category	Headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ €50 million		≤ €43 million
Small	< 50	≤ €10 million		≤ €10 million
Micro	< 10	≤ €2 million		≤ €2 million

Source: EU (2008).

- But still international differences
 - US and Canada define small businesses as less than 500 employees
 - In Hong Kong: any manufacturing business which employs fewer than 100 people, or any non-manufacturing business which employs fewer than 50 people (Trade and Industry Department)

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WHY KM IN SMES?



Why should SMEs start KM initiatives?

- Knowledge in SMEs is often implicit/informal/not documented
- Know-how is often underestimated
- Directly addressing a lack of knowledge may be difficult or is not wanted
- Short-term perspective regarding the bridging of knowledge gaps
- Better overview of existing knowledge base
- Knowledge can easily be lost or drain off by means of succession/business transfer/departure of employees/collaborations

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KM IN SMES: OPPORTUNITIES AND CHALLENGES (I)



Opportunities

- Smaller number of staff
- Stronger personal relationships
- Simple organizational structures and flat hierarchies
- (Often) dominant managing director/owner-manager
- Distinctive personal communication flow to all stakeholders
- Slow staff turnover (at least in some parts of the world)

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KM IN SMES: OPPORTUNITIES AND CHALLENGES (II)



Challenges

- Limited personnel capacity and financial resources
- Lack of KM expertise
- Lack of awareness regarding the strategic meaning of KM in organizations
- Dependence on owner-manager and (if relevant) a problematic company succession
- Dependence on a few number of key organization members
- Short-term orientation
- Day-to-day business operations require close attention

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KM PRACTICES IN SMES



- Most SMEs have no KM strategy and tend to treat KM on an operational level
- Many SMEs adopt short-term unstructured ways towards KM
- Most knowledge is being kept in the minds of the owner and some key employees (knowledge concentration)
- Knowledge sharing happens in corridor conversations or at organization members' events (e.g. birthday party)
- They rely on external knowledge creation sources (e.g. secondary data and professional and personal contacts (but are good networkers))

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KNOWLEDGE LEAKAGES AND WAYS TO REDUCE THEM IN SMES

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BACKGROUND



KM should also involve activities related to knowledge retention

Knowledge retention is defined as *“maintaining, not losing, knowledge that exists in the minds of people (tacit, not easily documented) and knowing (experiential action manifesting in behavior) that is vital to the organization’s overall functioning”* (Martins & Meyer, 2012, p. 80).

In fact, knowledge retention combined with knowledge transfer can help organizations to reduce the danger of knowledge leakage

→ If organizations fail to address this challenge, they may lose their capacity to act (worst case scenario)

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KNOWLEDGE LEAKAGE

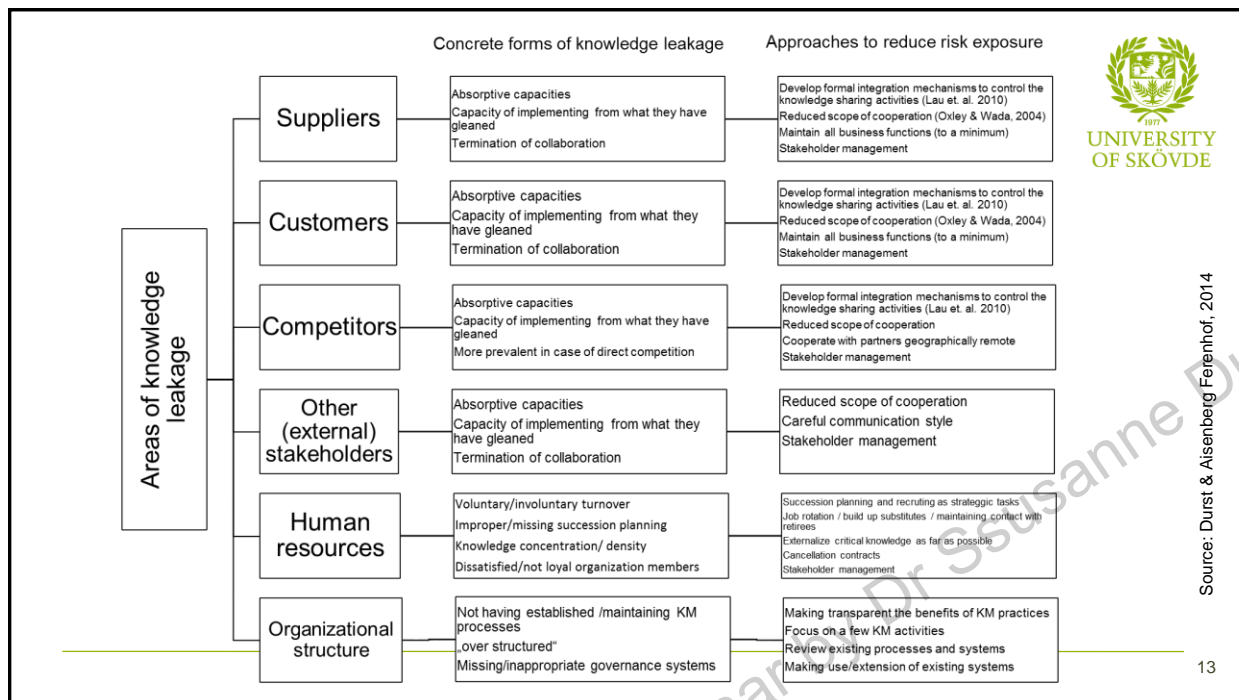


Two meanings:

- 1) Knowledge and capability shortage: mainly associated with turnover
- 2) Knowledge exposure: organizations enter into collaborative agreements/partnerships

Jiang et al. (2013) define knowledge leakage as “the extent to which the focal firm's private knowledge is intentionally appropriated by or unintentionally transferred to partners” (p. 984).

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HOW TO ADDRESS THE DANGER OF KNOWLEDGE LEAKAGE



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Knowledge leakage is mainly the result of interactions between various internal and external stakeholders

→ SMEs should actively pursue stakeholder management.

For example, stakeholder mapping would help SMEs to identify those primary stakeholders that pose the most serious threat concerning knowledge leakage

TAKE AWAYS



- Recognize the importance of knowledge retention measures
- Be aware of the situation that knowledge leakage can occur in professional and private spheres
- Be proactive
- Integrate a knowledge at risk perspective into your KM
- Identify ways to transfer (tacit) knowledge and retain knowledge (and use them!)
- Involve advisors
- Consider the strategic dimension of this issue in terms of the firm's continuity

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THANK YOU VERY MUCH FOR
YOUR ATTENTION!



ANY QUESTIONS?



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