Knowledge Management for Small and Medium Enterprises to Win the Competition on the Knowledge Economy Era: Case of SME Knowledge Management Model of KADIN Tasikmalaya – Indonesia

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ABSTRACT

Small medium enterprises (SMEs) have been an active part in various improvements in the economy of a country. Globalization is an era that is inevitable. Today, all nations are competing to be the leader in the era of competition. One way to create competitiveness is through the implementation of Knowledge Management in SMEs: to go on such a needed institution building measures approach towards SMEs to understand the problems of the mastery of knowledge to businesses, especially those related to knowledge management efforts.

KEYWORDS

Knowledge Management, Small Medium Enterprise, Knowledge Economy, Business Competition, Knowledge Model, Competitiveness

INTRODUCTION

Small medium enterprises (SMEs) have been active in various improvements in the economy of a country, not only in Indonesia, but also in developing countries. They have helped people become prosperous through the provision of jobs, trade transactions, the creation of added value for consumers households as well as contributed in increasing revenue through paid area.

However, problems often arise that hinder their development and growth. These problems come either from outside or from within the SMEs themselves. One of the problems in the internal environment of SMEs is the limitations of the mastery of knowledge.

In addition, the existence of SMEs are increasingly threatened when large companies through quality products and high competitiveness of power with the bid price enter the market in Indonesia.

Thus a required solution can simply confront this challenge. One way is to create competitiveness through the implementation of Knowledge Management in SMEs. According to Kosasih and Budiani, along with the opinion of the Priambada that Knowledge
Management can improve the performance of an enterprise through a culture of knowledge sharing.

**BASIC CONSIDERATION OF KNOWLEDGE MANAGEMENT MODEL**

Small medium enterprises (SMEs) are one of the elements of the economy of Indonesia with the amount of labor which includes the blue collar workforce (informal) around 70.2 million or 74 per cent (BPS, 2005). The rest is the white collar labor (formal), which is about 24.7 million or 26 percent. The workforce in the agricultural sector (44 percent), followed by trade, housing and hospitality (20 percent), industrial processing (12 percent) and social and civic services, individual (11 percent).

The size of the workforce in the sector of SMEs is not followed by high productivity. In 2003, the amount of the gross domestic product (GDP) generated by small and medium industries sector was only 199 trillion rupiah with a number of business units as much as 3.02 million and the amount of labor as much as 8.09 million. Compare with major industry that produces GDP amounted to 312 trillion rupiah with a number of business 7593 and labor of 4,39 million.

Globalization is an era that is inevitable. Today, all nations are competing to be the leader in the era of competition. Talk about competition between Nations, of course each nation is required to have high competitiveness. Nations that have high competitiveness are marked by the ability of the human resources (HR) a reliable, high knowledge mastery, and mastery of the global economy.

**Knowledge Management for SME**

In General, the problems that often happen on SMEs are capital, marketing, lack of knowledge and human resources of less quality. In the context of increased competitiveness, the mastery of knowledge are important factors to boost competitiveness. This is where the greatest weakness of SMEs. Low mastery of knowledge in SMEs affected factors internal and external factors. The internal factors are (1) the lack of awareness and the will to implement appropriate knowledge, (2) lack of access to sources of technology and knowledge, (3) lack of ability to take advantage of the business world and (4) the limited capital to improve the mastery of technology.

External factors are (1) the results of research and development are not yet right for SME development, (2) the process of technology on SMEs is not maximum, (3) the limitations of the publication of results of research and development and (4) the financing is still limited to skim in the development of science and technology.

The concept of knowledge management is new concept in the business world and has been applied to a large variety of companies in the world. In principle, the concept of knowledge management aims to increase profits by improving communication between all parts of the company and improve the mastery of knowledge with its transfer (knowledge sharing).

Knowledge is divided into two types, tacit knowledge and explicit knowledge. Tacit knowledge is saved in the human brain, for example in mind, memories and others. Explicit knowledge is outside of the head, e.g. books, journals, documents and others. The concept of
knowledge management attempts to blend and combine the knowledge to improve the competitiveness of SMEs.

Coaching sustainable SMEs

The concept of knowledge management can be a solution to improve the mastery of the knowledge of SMEs. The concept has a broad scope, covering information technology, support from the management, culture, strategy and objectives, organizational structure, motivation and HUMAN RESOURCE management. Its application can be done by analyzing the basic needs of SMEs, mapping the concepts and objectives, implementation and receive feedback.

Strategy implementation of knowledge management can be done through two approaches, from the external and internal points. From the external, the roles performed by the Government, are: does ongoing coaching, conducts studies appeal against neighboring countries who succeed in developing SMEs, facilitates the implementation of the transfer of knowledge by providing information technology facilities and helps SMEs in building the network.

The internal approach is the role of SMEs: namely, the building networks between SMEs in the fields of a type (cluster), building a culture of mutual learning, fostering actively in HUMAN RESOURCES, that provide support leadership and utilize information technology. The approach of the two sides simultaneously and continuously increases the mastery of the knowledge of SMEs.

Currently, the mastery of knowledge is the key to win the competition. It can be realized in the form of technology, work methods and culture. Increasing the competitiveness of SMEs effects against productivity and contributes to the country. With the increasing competitiveness of SMEs, competitiveness of Indonesia increases.

To go on such a needed institution building measures approach towards SMEs understands the problems of the mastery of knowledge to businesses, especially those related to knowledge management efforts. Patrons or coaches provide the motivation that the best solutions to address the issue of effort in the particular field of knowledge management should be a SMEs units rallied together to resolve the issue under a form of organisation/institution that themselves form. The constructor function provides facilities and assistance in various areas of expertise necessary that include early knowledge management systems for SMEs. The coach is also obliged to provide guidance, consultation, advocacy to SMEs members whether requested or not. Moreover this constructor has the right to get coaching service fee from the Fund the project.

WHAT IS KNOWLEDGE MANAGEMENT FOR SMES WILL BE MADE

In General, weak competitiveness is a major factor that causes the small medium enterprise (SME) to develope in the global market. In a further study, it turns out that the lack of knowledge among the SMEs is due to low education in Indonesia. Fair enough, majority of small to medium entrepreneurs in Indonesia is still low in education.

But as already known, knowledge has a very important role in the advancement of the company. The superior knowledge of a company and its human resources is (HR) the higher
competitiveness of enterprises gain in the global market. Since, one of the keys to win in the
competition is the power of employees who are intelligent or knowledgeable workers and the
more intelligent and smart employees are in the company, the easier for the company to deal
with change and win the competition. Hence, one interesting solution today to implement a
system that is able to increase the knowledge in the company's internal is called knowledge
management system.

In the system of knowledge management, there are at least three processes that should be
done.

**The first is the process of exploration**, i.e. do the mapping in the Organization of
knowledge possessed by each Division/Cluster, whether related to human resources, product,
market, and customers, it is not easy to do the search and collect the knowledge that the
company as well as the knowledge when held by each employee.

**Second, The Learning Process.** At this stage learning is done to maximize the knowledge
gain individually or between individuals. This can be done also through an interactive forum
to share online. Thus create a culture of learning that is more powerful. Why? Because
basically everyone is hungry for information and knowledge. As a result, the company will be
more rich with people who are powerful in such.

**Third, the process of searching and creating new knowledge.** This stage occurs when
there is a strong learning culture within the company. However, with a collection of
knowledge that is previously owned by the company, the system of knowledge management
is no longer sufficient. Consequently, everyone in the company attempts to search and find
new knowledge. Which is also the collection in the system known as "knowledge
management" thus kernel become the sources of knowledge in which the company completes
and continue to update.

**DESCRIPTION OF THE MODEL**

**The conception Model of Knowledge Management for SMEs**

Simply, knowledge management is a web-based database system which is useful in managing
the entire knowledge owned by the company/institution and its employees/communities. It
does not only save, but also creates a culture of learning in an environment of employees
through the process of knowledge exchange. It makes easier for employees to conduct
learning independently and facilitate in providing solutions for the problems that they find.
Likewise, the process of improvement of knowledge across employees may not cost great and
with a longer period of time. And slowly but surely, the culture of learning increasingly grow
in a corporate/communities environment. Consequently, the company/institution can
confidently compete for the best.

From the perspective of companies who successfully implement knowledge management is
out of the question because for them it is important. Why? Small medium enterprises (SMEs)
need also apply the system of knowledge management. How?

The answer is quite simple. One of the causes of the SMEs lack of competitiveness is low
education because the majority of its entrepreneurs are only JUNIOR and HIGH SCHOOL
educated. So, the ability to compete on a global level is limited. To that end, increased
knowledge for SMEs and the entire staff becomes a necessity.
On the other hand, when big companies implement knowledge management for the growth of his company, surely the SMEs must be more serious in implementing it to compete. So they can make the further leap to become large companies. If the company is still on the level of SMEs, then the application of knowledge management would be an interesting challenge, especially if there have been many proofs of competitiveness of the company.

From the above prerequisite, is the model of conception of knowledge management agency for SMEs of “Lembaga Manajemen Pengetahuan UKM” (LMP-UKM) developed on the basis of the fact that:

It was suitable with purposes of LMP-UKM which:

1. Expanding access to knowledge for SMEs;
2. Remove the abyss between knowledge of SMEs with existing competitors;
3. Create opportunities for utilizing completely untapped human resources to work;
4. Unite SMEs, the underprivileged to gain business opportunities. In this way they can find social and economic;
5. Avoid the SMEs circle of powerlessness

**CONCLUSION**

To increase information literacy, SMEs need to utilize ICT and enhance the competitiveness of the company. Given in the era of globalization it becomes very competitive in the arena of competition worldwide.

Small and medium enterprises (SMEs) should be able to compete in this competition, for it requires a strategy to improve the competitiveness of the company. In order to survive in the era of competition, it needs to think of a strategy to improve the competitiveness of the company to get export opportunities as well as other business opportunities.
One of the strategies is to use Information and Communication Technology (ICT), because the utilization of ICTs for small and medium enterprises (SMEs) can improve the competitiveness of the company to get export and business opportunities.

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