

From Rhetoric to Reality: KM and Success in the SME World

When you look at success in business, you get a compelling sense of the true momentum behind the old economy. Almost half of the 500 most successful SMEs in Singapore are in the construction and manufacturing related industries, and when you look at this year's top fifty companies, that figure rises to 60%. The highly touted new economy sectors of logistics and financial and business services barely register in the top fifty companies, and make up only a quarter of the top five hundred.

Put that in the context of a moribund construction industry that would have flatlined over the past three years had it not been for massive government sponsored infrastructure work. Put it in the context of a worrying structural unemployment buildup among manufacturing workers even in the midst of a strong economic recovery. Put it in the context of a relentless theatre-quality- surround-sound-knowledge-based-economy campaign by the Singapore government for at least five years now. Put it in the context of probably the most impressively integrated and comprehensive social transition programme the world has ever seen. It seems almost ill-mannered for success still to be found in the midst of the supposedly irrelevant concrete and sawdust world of the old economy.

Well there must be a couple of lessons about concrete and sawdust in this, not to mention a growing suspicion that carnage in an industry brings enormous opportunity for success within that same industry – for smart, wily and strong operators.

When I was asked to write an article on knowledge management for small and medium enterprises. I agreed willingly, and sent out a questionnaire to 535 successful enterprises on their KM practices, following up with telephone interviews with key senior managers. I hesitated momentarily when I noted that several of these enterprises were moneychangers, jeweller's shops and ten person trading companies. How do you compare these with large and complex business like Osim, for example? I wondered how Singaporean comic building contractor Phua Chu Kang might react to questions on tacit knowledge exchange when I sent the survey to over a hundred construction companies.

I need not have worried; SMEs don't get on the Ernst & Young or Accenture lists of most successful companies without knowing what the consultants like to hear. 63% of my respondents dutifully replied that knowledge management was critical to their enterprise. Nobody thought it was not important. I was suspicious: my next, rather nasty question was, "Do you have a knowledge management strategy?" On the telephone line, that long pause between the question being asked and the somewhat complex answers that came back told the story: 62% of the enterprises that replied do not have an explicit knowledge management strategy.



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We should not be surprised; in 1999, Professor Amin Rajan of the Centre for Research in Employment and Technology in Europe examined 6,000 European enterprises that claimed to have knowledge management strategies. He found only 140 cases worth discussing; the rest – 98% of his sample – either didn't understand what KM was, or were misusing the term.

So what is the truth behind the obvious desire to please the masters of new economy rhetoric? What does create success in a small and

medium enterprise, and has any of it got to do with knowledge management?

Here is a knowledge management portrait of the year 2000's most successful enterprises in Singapore:

Age	The average enterprise is mostly over a decade old (70% of both the SME 500 and this year's E50)
Sector	It is more likely to be in Construction and Manufacturing (60% of the E50, 46% of the SME 500)
Growth	It can scale success faster if it is a new economy company (14% of this year's E50, but only 3% of the SME 500)
Website	It is more likely to have a functioning website with a corporate profile, product information and a functioning enquiry form (60% of the E50, only 25% of the SME 500)
Communications	It uses email for communications (100% of the E50, 32% of the SME 500)
Email access	It is more likely to have email access for all desk workers (52% of the E50)
Internet access	It is more likely to give internet access to all desk workers (47% of the E50)
Knowledge management priority	It gives most priority to internal collaboration and sharing knowledge, or customer and partner relationship management (54% of the E50)
Knowledge management responsibility	It believes that KM strategy should be jointly owned by the IT and HR functions (45% of the E50)
Learning needs	It believes that soft skills training are more important than technical skills training for its people (63% of the E50)
Critical Success Factor	It believes that the most important success factor for an SME is its external relationships and partnerships, together with a good customer base (51% of the E50) – above internal talent, leadership, strategy, and good knowledge management.

Small and Medium Enterprises mostly don't need knowledge management, beyond common sense stuff like having regular internal meetings, soaking up lots of close knowledge about customers and competitors, having a decent records management system, and being able to communicate their identity and their services effectively. Most of the time, SMEs are balancing two major priorities: keeping their internal processes and relationships tight, and keeping their key customers completely satisfied. "SMEs get so little customer exposure, we have to start by knowing and serving our customers if we are going to succeed" says Mr Lee Soon Kiat of Ever Technologies.

If you put this against the question of developing a sophisticated KM strategy, you begin to understand why it is usually not a priority. Knowledge management is after all a collection of concepts and practices put together originally for large, complex, multinational organisations. Knowledge management, along with other management systems, technology investments and strategy initiatives, are necessary either to scale up the impact of your senior managers and your strategy across a larger enterprise, or else they are used to effect significant business transformation.



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SMEs are generally small, compact, and have a relatively high exposure of senior management to the frontline in relation to the scale of the enterprise. Managers and strategy therefore don't need to be scaled by expensive or complex systems. Beyond the basic common sense of business, they don't need big KM investments. If there is any knowledge management at all, it is focussed quite tightly on customer relationship management, and the fundamental information and collaboration tools made available to the enterprise's employees.

Where knowledge management does become significant in the lifespan of an SME – if it survives the first tough five years – is in the rites of passage from one phase of existence to another. The rites of passage of an SME take four major forms, and apart from the common need for both new talent and new knowledge at each transition, each has particular knowledge management needs associated with it.

<p>Overseas Expansion SME sets up overseas operations, requires information and talent injections.</p>	<p>Market Broadening Customer base broadens, needs to professionalise and scale up management systems.</p>
<p>Role Extension SME broadens the scope of its products and services, needs to add on new capabilities, people, knowledge systems.</p>	<p>Role Depth SME develops deeper expertise (eg from distributor to manufacturer) and needs to import talent and cultivate a culture of innovation.</p>

Overseas expansion, for example, needs business intelligence, as well as good internal communication and information systems to minimise the risks of doing business in a new territory, or doing business at a distance. Yong Tai Loong's plans to examine the US and European markets for their construction materials business are a sensible reaction to a saturated and slow moving domestic market.

Market broadening, or the leap from just a handful of key customers to a much broader customer base is especially challenging to an SME's internal systems and processes. While it may have been good at managing a limited number of customers in a highly personalised way, managing the transition to

multiple customers means significant change in systems, culture, and probably people. Customer relationship management systems and cleverer use of IT and internet is crucial, and internal training and re-orientation will smoothen the passage. Last year Miyoshi Precision reported that it spent several years working on improvements in its internal systems and communication before it felt confident to push for an expanded customer base.

Role extension is where an SME gains enough of a foothold in a market that it starts adding on other products or services. When textile trading company Sing Lun encountered rising competition from the region in the 1970s, they diversified into garment manufacturing, and today supply apparel to major US chains. In some cases, SMEs are providing expanded services to very similar clients; but in others, an SME is moving into entirely new client territory. Business and market intelligence, and strong customer relationship management, systems for knowledge flows between company and its clients are all absolutely critical.

Role deepening occurs when an SME decides it has acquired enough expertise in an industry to take on a more specialised role. So for example, Neo Corporation made a transition from straightforward construction to design and build projects in 1992, to give it more say in the planning and execution of building design. When an SME makes this kind of decision it needs to build and sustain much stronger internal knowledge management processes, because the ability to retain and leverage on internal brain talent and expertise, not just information, becomes much more important. In particular, the strongest companies concentrate on the ability to innovate continuously.

What all this suggests is that knowledge management plays a very different role in SMEs in comparison with the global enterprises that it was invented for. In the large global enterprise, knowledge management helps to scale talent, knowledge, information and expertise across a scattered and complex organisation, and it is used primarily in the service of keeping the business rolling along effectively.

Most SMEs are neither large enough nor complex enough to require such sophisticated (or expensive) solutions for their everyday survival. However, they do need strategic injections of knowledge management (involving application of technology, intelligence and new expertise) as they go through critical rites of passage in their life-cycles.

The problem with management hype and rhetoric is that SMEs will often feel guilty if they don't have what the "big boys" have – they are usually too sensible to buy something just because the consultants and

business books recommend it, but they should probably tell us to stop interfering a little more than they do.

Jonathan Swift is famous for his depiction of Lilliput, the country of the little people in *Gulliver's Travels*. In Gulliver's third voyage, however, there is a more interesting country from the point of view of SMEs and the real world of business. Marooned at sea by a villainous Dutch pirate, Gulliver encounters a flying island named Laputa populated by a strange race of philosophers and mathematicians. They spend their whole time engaged in deep abstraction, puzzling over mathematical logic and metaphysical issues. They become so taken up in their contemplations that they often forget to finish their sentences, eat or even sleep. Hence, they are accompanied by servants who carry sticks, with large, inflated balloons at the end. Whenever a Laputan is in danger of starving, or has forgotten some important guest or bodily function, the servant will whack his master over the head with his balloon, and bring him momentarily back to reality.

Needless to say, Laputa produced nothing of any value. Instead, it survived by dominating a number of cities and towns in the land below, from which it would claim regular tributes of food, provisions and other necessities. Many of these towns resented this parasitic relationship, for they got nothing back, but if they refused the tribute, the island would moor itself over their country, block out the sun and the rain, and wait while the crops and livestock below died. They usually got what they wanted.

The real point of Swift's tale comes, however, in Gulliver's visit to one of those tributary countries, the land of Lagado. Here he found houses, streets and carriages in disrepair, with signs everywhere of crazy, half-completed and irrational experimentation with new modes of construction. In the countryside, farmland was poorly maintained, barren, or desertified, with ill-fed cattle wandering the lanes. The more he explored, the more he realised that Lagado, infected by its relationship with the flying Laputans, had been taken up with a craze for theorising and experimentation purely on rational principles, without any concern for how the world actually appeared to work. Common sense went out of the window while scientists conducted elaborate experiments on how to get one man to be able to do the work of ten, build houses with everlastingly durable materials, and how to get one crop of corn to feed the entire population.



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Gulliver's flying island with its very important philosophers who claimed great value in deep and abstract ideas, but nevertheless produced nothing, has many echoes in the dot com lunacy of late 1999. That particular flying island has come down with something of a bump since then. We are, with our SMEs, however, in danger of swamping an industrious, motivated and extremely practical force in the economy with too many trendy ideas, much as Lagado was ruinously infected by its admiration for the philosophers of Laputa.

An SME should not feel guilty about not having a knowledge management strategy. Nor should it feel compelled to say that it is important, if it is not. Especially if it is a successful SME.

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