

Factors Determining Malaysian Smes Performance in Knowledge Management

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Abstract

The aim of this study involves examining information among corporate and their social capital. A survey technique is employed and the research context involves small and medium-sized enterprises (SMEs). The specific geographical context of the study involves Klang Valley, Malaysia. Indeed, social capital and information have gained interest due to their crucial role in shaping company performance and the realization of any intended goals and objectives. Notably, social capital plays a moderating role in shaping the relationship between the performance of senior executives and company realization of goals. This study's findings were obtained from 289 respondents. Major factors under investigation included the expectation of senior executives relative to social capital and how social capital affects organizational performance. Overall, it was established that social capital and information among senior executives yield improvements in organizational performance.

Key Words: Productivity, SME Performance, Knowledge Management

1. Introduction

In the current world, the survival of organizations is shaped by the ability to create opportunities for knowledge and skill acquisition (Bell, 1973; Nonaka, 1994). In Malaysia, knowledge management (KM) traces its history in the 1990s. at the time, global firms such as Hawlett-Packard and Microsoft engaged in KM practices with the aim of improving the skills and level of expertise among their workforces. This paper focuses on the attributes of intellectual capital and knowledge management and how they affect the performance of organizations.

2. Theoretical Framework

Knowledge management refers to an authoritative capacity through which learning is supported among workforces. From the current literature, organizations that embrace the KM practice exhibit superior performance. Issues that are covered in the KM practice include learning applications, learning change or gaining knowledge on change management, and information security. Indeed, a central hypothesis governing this study is that authoritative learning increases firm performance.

3. Management Process

KM procedures can enable an association to procure, store and use information for errands, for example, critical thinking, dynamic learning, vital arranging and basic leadership (Sveiby, 1997). Scholastic writing features the significance of KM forms in contemporary associations (Conner and Prahalad, 1996; Kogut and Zander, 1996), with a few writers proposing that an association's capacity to create learning is indispensable (Nonaka and Takeuchi, 1995; Powell, 1998; von Krogh, 1998). Scholastics and professionals have perceived that KM forms are getting to be essentials for an association's prosperity (Cole, 1998; Davenport and Klahr, 1998; Porter, 1980; Powell, 1998). Some writing likewise proposes that KM forms add to FP by enhancing work execution, utilizing center business capabilities, quickening an opportunity to showcase, decreasing process durations and upgrading item quality (Argote and Ingram, 2000; Davenport and Prusak, 1998). Associations need to create learning persistently, encourage the sharing of information inside the association and apply the information with the goal that the association can create new items or administrations.

4. The SME Management Process

Information securing includes the procedures of making, creating, creating, assembling and developing learning. SMEs can gain information from outer sources, for example, by enlisting individuals having the required learning or by buying learning resources, for example, licenses, look into records or other knowledge (Wong and Aspinwall, 2004). SMEs can likewise gain outside learning through



different means, for example, looking (Huber, 1991; Lee and Yang, 2000), embracing it from different sources (Bhatt, 2000) or getting it from information driven firms. Little firms seem, by all accounts, to be in an invaluable position in gaining clients' learning since chiefs and workers of SMEs will in general have close and direct contact with clients and a few representatives may know clients socially (Haksever, 1996). The nearness to clients will encourage a more straightforward and quicker stream of information to the representatives. That closeness will likewise empower workers to acquire data, for example, contenders' activities and conduct, advertise patterns and different advancements (Wong and Aspinwall, 2004).

Information change includes arranging learning that has been made or procured and applying it in manners that enable the information to wind up formalized and available. With regards to SMEs, information will in general be passed on with no related records or documentation as a result of SMEs' casual correspondence culture. SMEs will in general trust that it isn't doable to build up a formal framework for systematizing, sorting out and putting away learning in light of the fact that their workers are occupied with their every day schedules (Wong and Aspinwall, 2004). Also, SMEs have less assets and a lessened ability to keep up an information store as contrasted and expansive firms. In this manner, the learning will in general be put away in the head of proprietors, administrators and representatives. As per Wong and Aspinwall (2004), the main learning the board advantage appreciated by SMEs is that in view of their size they have less information to oversee, which makes it less demanding to compose and store the information.

5. Social Capital

Social capital involves key firm stakeholders such as markets, industry affiliations, resource providers, and clients. The role of these stakeholders involves establishing consumer loyalty programs, client dedication systems, and client contacts. Indeed, many SMEs have been inspired by the crucial role of these stakeholders and their associated systems and ended up engaging in KM practices (Clarke and Turner, 2003).

6. Social capital in smes

Compared to auxiliary capital and human capital, social capital dominates most of the SME operations. This trend is attributed to the affirmation that most of the SMEs are more likely to trust the workers' capability and how they relate with customers (Cohen and Kaimenakis, 2007). As such, these organizations are keen to establish social capital with little effort compared to large companies. Also, the SMEs tend to exploit information from various networks to ensure that their tasks and roles are accomplished or completed timely.

7. Projections

Amid the information securing process, representatives obtain, collect, look for, make, create and catch learning and along these lines work together with one another to utilize that learning. Amid the information change process, the procured or caught learning — either implied or express — is then changed over, circulated, coordinated, sorted out and organized. Amid the information application process, this inferred or unequivocal learning is connected and shared among representatives in the association. Amid that procedure, information is put away for future recovery. Becerra--Fernandez, Gonzales and Sabherwal (2004) examined the effect of KM forms on individuals, procedures, items and FP. In organizations, some of the KM effects that have been documented include enhanced performance and improved initiative among employees. Based on these affirmations, the current study's hypotheses are stated as follows:

- H1: KM forms impact FP decidedly; Learning Management Processes and Social Capital
- H2: KM forms have a positive association with SC; Learning the executives and execution: Social capital
- H3: SC has a positive association with FP; Learning Management Processes, Social Capital and Firm Performance
- H4: SC intercedes the connection between KMprocedures and FP; Technique

8. Population and Sample

The inclusion criterion was set in such a way that the study focused on enterprises that had embraced the KM practice. Also, the study was based in Malaysia and, with 833 SMEs on focus, the study targeted employees from different departments. Major cities and corporations from which the participants were drawn included Kuala Lumpur Tower, Malaysia Technology Development Corporation, Kuala Lumpur City Center, Technology Park Malaysia, and Cyberjaya.

9. Research Purpose

In this study, the main aim was to investigate three variables. These variables included social capital, knowledge management, and firm performance. The primary objective was to unearth the nature of relationship among these parameters, upon which predictions regarding future trends and recommends for possible improvements that could assured enhanced company performance would be made.

10. Results and Discussion

Table 1: Cronbach's alpha coefficients

Variables	Number of items	Cronbach's alpha coefficient
Knowledge acquisition	10	.85
Knowledge conversion	7	.81
Knowledge application	10	.86
Social capital	11	.83
Firm performance	7	.84

The overview addresses utilized for this examination complied with legitimacy necessities. Content legitimacy was checked amid pilot contemplate, with the measurements for the autonomous variable being found to contain every one of the procedures for KM, to be specific learning securing, transformation and application. The improvement of the needy variable and interceding variable depended on the writing survey and all measurements fundamental for FP and IC were incorporated. Those factors are likewise affirmed as having content legitimacy. Factor investigation was utilized to build up develop legitimacy for the majority of the factors utilized in this examination (Kerlinger and Lee, 2000). The majority of the things in the factors were exposed to factor investigation, and they stacked as per earlier hypothetical desires. The consequences of the information investigation uncovered attractive yields for reliant, autonomous and intervening factors.

Table 2: Descriptive statistics suggesting relationships among social capital, KM, and organizational performance

Variables	Mean	SD	1	2	3	4
Knowledge acquisition	5.69	.61				
Knowledge conversion	5.66	.68	.71**			
Knowledge application	5.75	.64	.72**	.70**		
Social capital	5.75	.54	.57**	.55**	.51**	
Firm performance	5.82	.66	.58**	.55**	.55**	.59**

Note: Cronbach's alpha coefficient shown in bracket in diagonal parentheses. $n = 289$

Regression Results and Hypotheses Testing

Model 1 was gone for deciding how KM forms impact FP. The outcomes demonstrated that KM forms clarified 39% of the variety in FP. The model was critical with a F---measurement = 60.58 and a noteworthy p---esteem = 0.00. All institutionalized beta coefficients were noteworthy, demonstrating a positive commitment to FP. The institutionalized beta coefficient likewise demonstrated that information procurement ($\beta = 0.28$) contributes the most to FP, trailed by learning transformation ($\beta = 0.22$), and learning application ($\beta = 0.19$). Those factors were huge with p---values < 0.05 . Learning obtaining is the fundamental supporter of FP, when contrasted and information change and learning application. Through learning procurement, firms aggregate and produce data and information about their clients, rivals and providers. The procurement of new learning empowers a firm to refresh its accumulation of information and to contend better in the market. Firms find that the refreshed learning specifically enhances their execution. All things considered, H 1 was bolstered, which is predictable with prior research discoveries (Becerra---Fernandez et al., 2004; McKeen et al., 2006; Salina and Wan Fadzilah, 2008).

Also, 37% of the variety in SC was clarified by KM forms. This model was huge with a F---measurement = 56.13 and a p---esteem = 0.00. Learning procurement and information change were huge with p---values = 0.00, yet learning application does not impact SC in this model. As was examined before, SC incorporates client administrations and connections, information on buyers and a market point of view. Therefore, learning obtaining and change forms assume a crucial job in procuring, aggregating, creating, coordinating and changing over data about clients, contenders, and providers. Information application isn't noteworthy for this situation fundamentally in light of the fact that the SC components center more around the obtaining and change of inferred and unequivocal learning to fortify the connections among makers, clients and providers. Moreover, on the grounds that SMEs' firm structure is generally basic, their associations with clients and providers are close and SMEs can without much of a stretch recover data on clients' inclinations, rivals, and market patterns (Haksever, 1996; Wong and Aspinwall, 2004). Enter clients help in information securing by giving acquaintances with different clients and their insight bases.

Table 3
Regression results for Models 1, 2 and 3

Model	R ²	Adjusted R ²	F-stat	Sig. F	Standardised β	Sig.
1. KMP \rightarrow FP Acquisition Conversion Application	.39	.38	60.58	.00	.24	.00
2. KMP \rightarrow SC Acquisition Conversion Application	.37	.37	56.13	.00		
3. SC \rightarrow FP SC	.35	.35	154.21	.00		

Note: KMP: knowledge management processes, FP: firm performance and SC: social capital.

Table 4
Regression results for Model 4

Model 4	R ²	Adjusted R ²	R ² change	F change	F-stat	Sig. F	Std. β	Sig.
(a) $\begin{matrix} \text{KMP} \rightarrow \text{FP} \\ \text{KMP} \rightarrow \text{SC} \end{matrix}$.39	.39	.39	181.70	181.70	.00	-.62	-.00*
(b) $\begin{matrix} \text{KMP} \rightarrow \text{FP} \\ \text{KMP} \rightarrow \text{SC} \end{matrix}$.46	.46	.07	38.68	122.12	.00	-.42	-.00*

Note: KMP: knowledge management processes, FP: firm performance and SC: social capital.

Recommendations for SMEs

From the results, social capital and knowledge management practices enhance company performances. As such, there is a need for senior executives in SMEs to support KM practices in their organizations. In so doing, there might be solid SC establishments through which the ability to keep abreast with changing industry trends might be realized. In turn, it is projected that the implementation of these steps might steer competitiveness among the SMEs involved in KM practices, as well as social capital empowerment.

11. Conclusion

In summary, knowledge management involves the use of information in relation to social capital exploitation. This study has examined the relationship between the variables of knowledge management (and social capital) and firm performance. Findings suggest that these variables exhibit a direct and positive relationship. The implication for senior company managers and leaders, especially in SME, is that the need to support these beneficial business practices cannot be overstated.

In summary, this research sought to unearth how KM drives business success. Specific insights were gained from the context of Malaysia. Based on the current literature and the financial performance trend obtained, mixed results were obtained. Indeed, most of the results concurred that for SMEs, there is an increasing trend in KM utilization. These findings were confirmed by the data obtained for the case of Malaysian firm departments whereby the number of SMEs has increased steadily; implying that they are keen to exploit any potential markets that remain untapped. It has been established that through the KM practice, business success tends to be driven by the provision of social capital, having utilised specialised labor in different countries in which companies establish operations. Also, the KM practice leads to increased global productivity due to the capacity to access international funds; eventually attracting the establishment of the state-of-the-art facilities.

It is also worth noting that through KM, SMEs end up reaping from higher per capita income due to enhanced growth, cost-saving innovations relative to market competitiveness, economies of scale and deeper division of labor among consumers and producers, the sharing of technologies, skills or ideas across national borders, and increased brand awareness or improved brand image due to the ability of the corporations to cement their presence in the marketplace. However, several factors play a moderating role, and the ability to address them shapes the degree of success in the corporations' capacity to reap from the benefits above. These factors include vulnerability to external economic shocks, inflation, inequality in wealth and income among consumers, trade imbalances, unemployment, and the dominance of other global brands. For Malaysia's SMEs, it is recommended that the companies keep abreast with the industry demands and consumer preferences by engaging in cost-effective in-depth analyses and continuous research and development to offer services that are responsive to the diverse needs of customers in their marketplaces. Also, there is a need for the SMEs to embrace regular feedback and also hold seminars with its senior executives and representatives from different departments in Malaysia to ensure that the views of customers and employees are considered; especially by accommodating both top-down and bottom-up communication approaches. In so doing, it is projected that the companies will retain their customers and also attract talented employees with whom they might sustain competitiveness into the far future.

For future research, it is recommended that focus is on the collection and analysis of primary data from other companies regarding the extent to which globalisation drives business success. In so doing, the data could be compared to the case of Malaysian firms before generalizing – where possible. It is also recommended that future research is conducted in the form of a survey technique to gain insights from employees of multinational corporations (via interviews or administering questionnaires) regarding the future of business in relation to globalisation. Lastly, there is a need to examine the role of employee and customer perception of globalisation and its role in shaping business success among multinational corporations, stretching beyond SMEs.

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