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## **KNOWLEDGE RETENTION WITHIN SMALL AND MEDIUM-SIZED ENTERPRISES**

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**Abstract:**

*In the constantly changing nowadays economy, all organizations have to be prepared to embrace all technological innovation and become good competitors in the market place all over the world. This need puts a special emphasize on the ability of a company to evolve through employee ability to grow professional. The retention of good, qualified employee is a complex process, because of the importance of the knowledge for the financial efficiency of a company. This article aims is to examine knowledge retention as an advantage of companies in this era of information, an era in which organizations view their employees as the main sources of competitive edge, acknowledging, at the same time, the challenge of reaching the knowledge and sharing it with all the stakeholders.*

**Key words:** knowledge, knowledge retention, knowledge management

### **1. Introduction**

Knowledge retention means reminding or recalling specific knowledge, processes or abilities learnt earlier in time (Semb, Ellis, 1994). However, retaining is different from knowledge transfer. Although retention is the ability to recall information as it was learnt, knowledge transfer refers to recalling the information and applying it in new situations. In order for knowledge transfer to be possible, retention should take place first.

Globalization and the dynamic and complex external environment which is under constant change, force organizations to face increasingly a worldwide competition and make them become aware of the need to see the knowledge and expertise of their personnel as a critical strategic asset, essential for maintaining the competitive advantage.

Knowledge, talent and abilities are the most valuable intangible assets of all organizations and it has become a challenge for the company leaders to correctly manage these assets. The main objective of knowledge management is not to administer manage all the data gathered in the organization, but to focus on the knowledge that is most

important for the organization and that provides its competitive advantage on the active market.

Larry Prusac and Tom Davenport in their paper "Working Knowledge: How Organizations Manage What They Know", state that, "*The only thing that gives an organization a competitive edge — the only thing that is sustainable — is what it knows, how it uses what it knows, and how fast it can know something new!*". Peter Drucker believed, also, that "*Knowledge has become the key economic resource and perhaps even the only source of competitive advantage*". (Davenport, Prusak, 2000)

Knowledge has been and continues to be the key to success and competitive advantage for all organizations. It has been proved that the only certainty of the 21<sup>st</sup> century is change and organizations must adapt constantly in order to survive. Specialists consider knowledge management as one of the instruments helping organizations adapt to this reality. In theory, organizations focus, or have focused, at least until recently, only on using knowledge. However, reality has shown that using knowledge depends directly on creating, acquiring, retaining and preserving it in the organization, all being equally important and necessary for applying knowledge.

Therefore, retaining/preserving knowledge in the organization represents the knowledge management area that focuses on the preserving the important knowledge assets in organizations in case the knowledge owner leaves the organization.

Most of the times, organizations consider preserving the knowledge owned by employees only through the difficult challenges that the organization is faced with when key employees leave. In reality, the concern for preserving the knowledge should be an important part of the organizational culture. Although the process of preserving knowledge in the organizations is considered as crucial for the long term business success and for maintaining the competitive edge, few organizations have coherent and formal strategies for knowledge retention (Liebowitz, 2011).

Regardless of the organizational strategies or approaches, the key issue remains incorporating from the beginning of employee activity, all processes of knowledge retention, so that the employee to know how to appeal to the "organization knowledge" when is needed, and, on the other hand, the management will be prepared in case employees decide to leave the company unexpected.

## **2. Definition of the concepts**

In order to understand how important it is for an organization to retain/preserve the critical knowledge, we consider it is important to define the concepts that we use throughout this paper.

Defining the concepts is no easy process, since the specialized literature has numerous definitions for intangible assets (knowledge).

### **2.1. Tacit knowledge vs. explicit knowledge**

Davenport and Prusak (Davenport, 2000) consider that knowledge is a perfect combination between values, experiences, collected data, which can provide an ideal

framework for evaluating new experiences. Davenport (2000) refers to two important types of knowledge: explicit knowledge, such as those concerning clients, the market, etc. This type of knowledge can be easily manipulated and preserved using data bases. The tacit knowledge represents the people's mind. Unfortunately, the tacit knowledge cannot be documented or it is very difficult to document in case the owner agrees to share it. KM encompasses different practices that organizations need for identifying, creating, representing, preserving and sharing knowledge in order to provide re-use, awareness and learning.

Tacit knowledge poses a special challenge for knowledge management. Businesses aim to prevent knowledge loss with employees leaving the company. However, tacit knowledge is mostly always owned by employees. Tacit knowledge is essential for the competitive advantage, since it is difficult to copy by the competition. This is the reason for which some companies produce various innovations, while other companies struggle.

## ***2.2 Knowledge retention***

This process is about recognizing key data under the risk of being lost, which prioritizes the knowledge and the impact on the global organization performance, subsequently developing feasible plans for preserving the respective knowledge. (Kirsch, 2008)

In order to identify the key knowledge that must be preserved in the organization due to its importance on the performance and competitive advantage of the business, knowledge that is at risk of being lost, we must assess the following aspects:

- a. What knowledge is at risk of being lost?
- b. Which are the consequences on the organization if the knowledge is lost?
- c. What actions can be taken so as to maintain the knowledge?

IBM had an interesting approach by using a diagnostic assessment called "Maturing Workforce" aimed at approaching knowledge retention by addressing four questions:

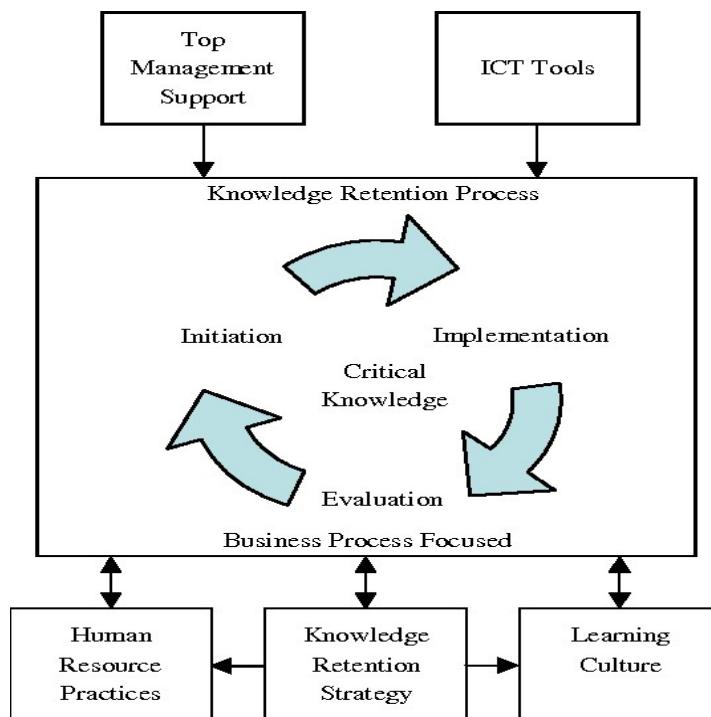
Who will retire? / The business value / the impact of losing knowledge?/ What specific field of expertise do you hold? / Evaluation of important is this area of expertise with regards to the strategic vision of the organization, in the next 5 to 8 years? 1 (low) to 10 (high)

An analysis of the answers is, certainly, required, possibly by the management so as to reduce prejudices. The organization should not limit these questions only to the eligible retirees. Moreover, there can be "sensible" areas populated by younger employees, especially in the field of technology, which can render the organization at risk of knowledge loss if the respective employees leave. Therefore, the knowledge retention strategy should be comprehensive enough so as to include various positions in the organization.

### 3. Preserving and managing knowledge in the organization – organizational memory repositories

Managing knowledge refers to the manner in which expertise is captured, shared and applied in the company. Managing change is the manner in which a knowledge sharing culture is built and developed within the paradigm that “knowledge sharing is power” vs “knowing is power”. Liebowitz, (Liebowitz, 2004), offers an extensive overview of these two pillars. Most managers claim that their employees are the most valuable asset, the only one capable of creating added value. However, most of the times, this asset is left vulnerable. Individual knowledge is the one that is sensitive to employees leaving the company, running, therefore, the risk of becoming lost over time.

A company can choose to apply various initiatives and instruments based on its strategy for knowledge preservation, which may include reward schemes, mentoring, interviews and using knowledge from retired employees.



**Fig. 1. The Knowledge Retention model for SMEs.**

Knowledge retention is a process which follows three steps:

1. The knowledge audit for identifying critical knowledge;
2. Selecting strategies and tactics for making the knowledge accessible and involved;
3. A plan for measuring the impact of knowledge retention and application.

These are the locations in which knowledge can exist or can be stored within the organization.

Walsh and Ungson (1991) offer a profound perspective on the operation of organizational memory. They analyze the manner in which organizational culture can influence decision making – the manner in which shared agreements evolve, integrating within the organization. The information that defines the stimulus and the answer to the decision is stored in repositories and affect the present decisions when they are accessed.

Usually knowledge is not stored centrally, and the process of accessing information depends on the retention facility that is being accessed. Written documents, for example, can be organized through IT departments, while at the workplace is important to understand all norms and procedures.

#### **4. Potential barriers in knowledge retention**

There are many obstacles that organizations might face regarding the effort of implementing knowledge retention throughout the company. One key barrier is that people can prefer to be knowledge keepers rather than knowledge disseminators. Why a person would give up the competitive advantage? We like to think that the main reason is “trust”, and we also think that are 2 ways of expressing trust: one based on experience, and based on good will. People look for the experts in different fields and others can be generous and altruists in sharing their knowledge with colleagues for the welfare of the organization. People wish to be rewarded or acknowledged for behaviours that encourage the process of knowledge sharing. In this way eliminate issues of “competitiveness” which sometimes affect employees. Another obstacle for knowledge retention is the human judgment biases. All these affect the shared and learnt knowledge. A phenomenon connected to human judgment bias refers to the paradox generated by knowledge. This paradox suggests that the more expertise individuals holds, the more knowledge they gather and the more difficult it is to retrieve knowledge from them. Therefore, a third person will naturally become an independent part in helping extracting knowledge from those individuals.

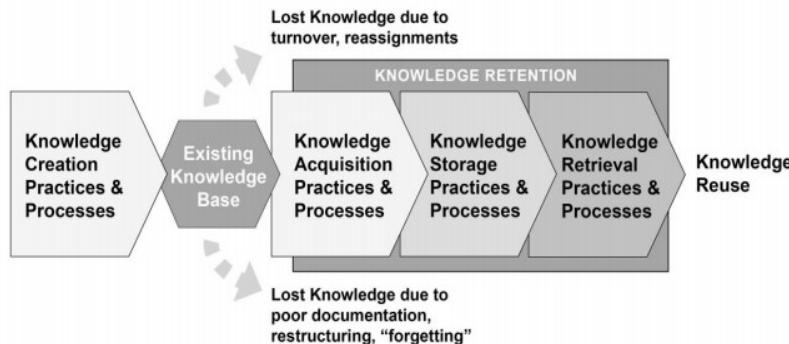
A third obstacle is the fact that some people can be dissatisfied from various reasons and decide to sabotage by offering fake information. An organization asks its employees to help move from a beautiful area with lush vegetation to a deserted terrain. Only 5% to 10% of the employees look forward to moving out. Taking into consideration the mass emigration the knowledge leak would be colossal. This would require capturing their critical knowledge before they leave the organization.

The fourth obstacle could be the belief that it is impossible to capture many years of experience in few hours of exit interview. This is a valid case and is the reason for which the knowledge preservation effort should focus on.

The last key obstacle is that the knowledge storage strategy could be uncommitted from the organizational strategy. Some times managing knowledge is a difficult process due to the fact that the knowledge management strategy is poorly designed or it does not coordinate with the organizational strategic mission. The same thing is valid for knowledge retention strategies – they should not be regarded as isolated from the general business processes.

## **5. Methods used in the process of knowledge retention.**

Numerous studies are speaking about the tools needed for knowledge retention. There are numerous tools agreed, some are just formal and others take into consideration activities like data collection. DeLong (2004) considers that retaining knowledge is "a well-grounded and practical way of attacking the real threat of lost knowledge." The main activities of acquiring, storing and retrieving knowledge are part of knowledge preservation, as shown in the figure below:



**Fig. 2. Activities of Knowledge retention**

Grigg (2006) presents a few categories of tools: tools for analysis - social networks or knowledge mapping; communication and relationship – conferences; information systems - document management; learning systems - distance learning; software, such as that used for data analysis and group software; portals and web knowledge systems, such as the internet, intranet.

## **6. Strategies used in the knowledge retention process**

Identifying and keeping important resources in the company, knowledge that must be retained, is a part of a complex process of knowledge retention, process included in the Knowledge management. The strategy success depends the way knowledge is shared and of organizational culture.

Doan (2011) has implemented 3 questions that should matter when we speak about knowledge retention:

- Which pieces of knowledge could be lost?
- What are the consequences, for the organization, of losing them?
- What actions could be taken to preserve knowledge?

By extending these subjects, can be identified some concrete steps for creating a strategy suitable for knowledge retention:

1: *The risk factors: has identified the following risks:* the average age of the employees is high; the company has not focused enough on:

- acquisition of knowledge
- mentoring programs
- developing programs for employees

2: *Identifying what critical consequences are and focus on them*

*Step 3: Design a strategy by using the knowledge retention pillars* (Liebowitz, 2011)

Liebowitz believed that knowledge preservation is about using the proper tools, some being difficult to implement.

- The structure of recognition and reward: In this case the company's management can choose between using intrinsic or extrinsic motivators. They need to take into account organizational and national cultural factors, but in general, intrinsic motivators seem to be more desired.

- Using a system of successive retiring (for example, vacationing, part time jobs, casual rehiring) could help ease the loss of good employees by trying to gradually transfer the knowledge to the organization.

No matter what strategy the company chooses to use, it is very important to have knowledge-keeping methods implemented from the first contact that the employee has with the organisation, so that, the company's management not to be in a risky situation the moment one or more employees decide to leave.

## **7. Conclusions**

When we talk about employee retention, we think of companies' attempts and efforts to reduce staff turnover, to persuade employees not to leave. If until a few years ago, the focus was on raising the salary to keep an employee, things have changed. Many employees leave the team because of other dissatisfaction and look for other companies that cannot be offered at the current job, beyond any financial incentive. Many companies focus quite heavily on the recruitment side, not attaching great importance to employee retention and, consequently, staff turnover. It is important to measure and differentiate between the reasons for leaving a company. There are departures determined exclusively for personal reasons, independent of the working and wage conditions and departures are determined by a accumulation of dissatisfaction, dissatisfaction with this job.

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