



# European KM Forum

IST Project No 2000-26393

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**D31 Theme 3 “Do I Need KM in my SME?”**

## Synthesis Report

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## 1 THEME 3 - INTRODUCTION

The objective of the theme was to communicate and promote Knowledge Management (KM) approaches, tools, methods and systems among small and medium enterprises (SMEs) and to collect current trends and opinions in this domain from multiplier organisations. It was aimed

- to raise awareness among SMEs about what benefits KM can provide for their daily work, to identify and collect real business stories about KM in SMEs and to distribute them among the SME community in Europe.
- to stimulate networking between SMEs and to support the development of networks. The build up of regional SME networks should be stimulated through events and regionally focused topics.
- to link academic research results to the needs and requirements of SMEs in the area of Knowledge Management.

Target groups for these activities were managers and practitioners working in SMEs and dealing or starting with Knowledge Management, multiplier organisations providing technology transfer and representing SME interests, and academic and consultants working with SMEs. The theme was hosted in December 2002 and January 2003 by the “KM in SMEs” Special Interest Group at KnowledgeBoard. The theme started off with the basic assumption that KM activities could be very valuable for SMEs, but that they largely differentiate from international (big) companies due to other interests, structures and market approaches.

### *Supporting Team:*

Following persons have contributed to conceive and moderate the Theme 3 events and activities:

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## 2 EVENTS AND ACTIVITIES

During the four weeks of January 2003, starting 06.01. and ending 31.01.2003, numerous activities have been hold in order to reach the defined objectives. On a weekly basis, keynote presentations, surveys, polls, interviews and workshops have been organised in order to foster the exchanges within the participants and to answer the question “Do I need a KM system in my SME?”. Because it was obvious that SME networks as a core KM element for SMEs are organised very local (also if they think global) the activities and events were focused every week on a special region. The theme started with a French week followed by a Spanish, Eastern European and German/Swiss week. The following session gives insights on the progress of the activities, the results that have been reached and the lessons learned.

Theme 3 did not only focus on research and activities within the four presented regions. Within the research it was additionally aimed to prove the underlying assumption that regional clusters are THE basal element of KM activities in SMEs. Therefore, as a result of the research a report about

the cluster situation in Europe from the European Observatory of SMEs focussing essentially on the role of regional clusters and clearly supporting our theory was published.

## 2.1 French week

On one hand, when starting as first player, we were really worried about the French situation. Collaborating for more than one year now on the SME SIG, we tried to have a lot of participants, taking care about the widespread geography and the different cultural aspects involved. The first lesson learned about this cultural movement is the confirmation that knowledge management isn't popular in the country. Is it linked to the specific culture or market? I don't believe so. I'm really convinced we are facing a very tough audience, because small business entrepreneurs don't spend time on new management techniques and don't invest in high technology. Another lesson learned could be the very new approach that a *webinar* (an online seminar via chat and phone session) still represents for small companies, where (perhaps) some problems can be faced when trying to participate to such events (international call, online manipulation via the computer...and the invested time for following the session).

On the other hand, with some retrospection, we still realised that the different concepts that knowledge management is promoting aren't well integrated in the economic and business life, still looking for more concrete answers and perspectives that can be immediately exploited. All those different aspects are reflected in the different subdivisions of this document.

### 2.1.1 Research / Case Studies

The major guest of our French event was André-Yves Portnoff, mainly active on the intangible asset side of knowledge management, trying to sort out where and how we could evaluate those difficult topics. Some case studies and several material was posted on the KnowledgeBoard, disseminating the main idea that intellectual capital is more than ideas and concepts and that the real value appears when something innovative appears in that process. The main discussed example and argued by Portnoff is the construction of the Dome in Florence, major artistic realization that can be interpreted in two (opposite) ways. You can consider that for achieving that kind of architectural work, you only need some thousands of bricks and that's it. Or, the other way to estimate the value is to acknowledge that something 'intangible' (what we conceptually define here by an artistic creation, some kind of 'magic touch' that transforms brick and mortar in a prodigious construction).

The other document published on the portal was some digital presentations that Portnoff uses for defining the human capital and how to value it.

### 2.1.2 Online Workshop/ Interview

Due to the difficult period scheme we had to follow (just in the beginning of January – just following the Christmas periods), we decided to merge the online workshop and the Interview in one shot. The theme of the workshop was focused on defining intangible assets and how to evaluate the corporate human capital. Some generic concepts were discussed, like ethics, corruption and trust within our societies and industries. Portnoff mentioned also value 'activators' and spoke about collective intelligence, also present in Small and medium businesses.

### 2.1.3 Discussion Forum

During the Theme 3, the group discussed thanks online postings the "good reasons for practicing (or not) KM within a Small company". The several opinions expressed there were mostly focusing on the specificities of the Small organisation, which means probably that the Research and Devel-

opment community would adapt the Best Practices to them. The message still remain that a small company has his own development program and tempo, which is rarely the same than a big player on the market. But on the other hand, the market reactivity and adaptation is so much faster (due to an economic obligation for being fast) in SME's (shorter decision process) that it implies that a huge work left on that side of knowledge management.

## 2.2 Eastern European week

Following the success of the French week, the theme based community focused in the second week on KM in Eastern European SMEs. The focus was chosen because the importance of Knowledge Management is fast gaining acceptance all over the world, the impact of this is also reaching Eastern European countries due to the following reasons:

- 1) For acceptance into EU the economies in the Eastern European countries must reach a certain level of competitiveness.
- 2) The business environment is becoming more turbulent especially in this countries: The speed of environmental change is in evidence increasing.
- 3) Companies in Easter Europe will have to save and exploit their competitive advantages e.g. lower costs in product development, production and services.
- 4) Mutual sharing of ideas and collaboration will bring big benefits for either Eastern and Western European countries.

Therefore, organisational development concepts like KM will play a critical role in Eastern Europe. The major goal of the Eastern European week was to find out more about the requirements to and the use of KM in Eastern European countries, how KM is understood by companies and by universities, and which differences there are not only within the Eastern Europe, but towards the Western Europe as well.

### 2.2.1 Research / Case Studies

Starting our research we faced a big difficulty to identify representative case studies for KM in Eastern Europe. Therefore, we firstly focused on international organisations supporting organisational development in SMEs. As a result, we were able to identify three main organisations providing funding for projects for KM in Eastern European SMEs and related case studies:

1. *The World Bank Group SME Department* encourages the growth of Start ups and SMEs in Eastern Europe in transition economies while imposing financial discipline on the old firms inherited from the socialist past, without granting special favours to either. E.g. the book "Transition- The First Ten Years", published almost exactly ten years after the dissolution of the Soviet Union in December 1991, draws on the World Bank's operational experience and the extensive literature on transition to help address these questions.
2. *The William Davidson Institute* has Regional Initiatives in Central and Eastern Europe and Russia. The Institute's mission is to gather and disseminate knowledge about issues affecting transitioning and emerging economies in the region, and use that information as the basis for other initiatives such as our unique Human Resource Network, Education Development Projects, Technical Assistance Projects and partnerships with business schools in the region. Through bringing research, education and development skills to Central and Eastern Europe and Russia, WDI hopes to improve business education as well as the competitiveness and efficiency of local and regional businesses. Within the last ten years the William Davidson Institute has lead a number of projects that support the development of

SMEs in the Eastern European and Russian Region. Within these projects they are trying to answer to the real requirements of SMEs in this region and to generate valuable solutions.

3. *The OECD* is supporting strongly the development of SMEs all over the world by doing research projects, publishing papers and organising events and conferences like the Bologna Conference on SME requirements, where in June 2002 Ministers and Representatives of governments of 38 countries participated. Special focus of this conference was on the question "What are the problems faced by SMEs in OECD countries and developing and transition economies in today's globalising world?".

Additionally, we had the opportunity to publish a case study carried out by Dr. Fazlagic from the Cracow Knowledge Management Institute in Poland. His Case study "Against the odds - world-leadership through superior knowledge creation" The case study deals with VIGO-Systems, the world leader in a very sophisticated technology based in Poland. The invention of far-infrared detectors did not receive much attention in Poland but when presented in the USA, it was highly successful and took the company to a world leader position in its sector.

Regardless this international competitive position, VIGO had to overcome the various factors which serve as barriers to growth for SMEs in Poland. It had to fight bureaucracy, untrusting banks, unfriendly policies and an overall business climate which is unfavorable to SMEs. Thereby, VIGO recognized knowledge as its most important asset. The company today provides an open and family-like atmosphere for knowledge sharing. Due to very short product cycles, tacit knowledge of employees plays a crucial role and most of its innovations are customer-driven.

### 2.2.2 Keynote presentation

Mr. Strojny gave in his presentation a general overview of knowledge management in Poland with particular focus on SME. The first part of the presentation was devoted to the foundations of knowledge based economy in Poland based on the result of the recently completed study by Knowledge Management Institute for the Polish Ministry of Economy. In the second part Mr. Strojny presented the results of a few studies on KM that have been performed in Poland so far (including "Knowledge Management Systems in SMEs", "Intellectual Entrepreneurship" and "Knowledge Management as a Source of Competitive Advantage"). Dr. Fazlagic presented a summary of the results of his interesting case study in the polish company VIGO System S.A. which is a best practice SME concerning the management of its own knowledge.

In the discussion the keynote presentation was followed by, the polish participants mentioned that in Poland the level of competition was increased by the economic downturn so that a trustful environment for knowledge sharing is hard to establish. Additionally, Chambers of Commerce are unpopular and there are no governmental start-up-programs for the SMEs. This situation effects that most companies prefer to act on their own or in small regional networks. A number of polish companies participated in the research programs of the 5th EU Framework, and they are looking forward to join project initiatives within the 6th Framework.

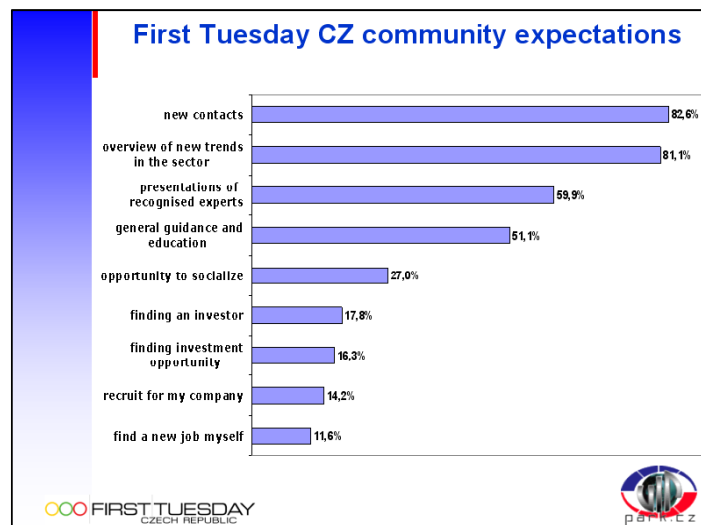
The keynote presentation gave a good overview on KM in polish SMEs. One of the most important insights was that in Poland so far SMEs are just starting to deal with KM as a concept for organisational development and improvement. Nevertheless, KM seems to be in Poland a more common management approach than in other Eastern European countries. KM methods, concepts and tools are developed according to the special economic situation in Poland.

### 2.2.3 Online Workshop

The online workshop of the Eastern European week was hold by Vlastimil Vesely from First Tuesday Czech. He gave a deep insight about "How did First Tuesday provide an exciting environment

for knowledge sharing between small start-ups and high tech companies in Eastern Europe?". Mr. Vesley pointed out that First Tuesday in the Czech Republic has developed from a opportunity network towards a knowledge network and that they are offering to their members a lot of education opportunities like seminars and conferences.

Especially interesting was the result of a study among Czech SMEs figuring out what these companies expect from the participation in the First Tuesday community (see figure 1): The most important incentive for joining the First Tuesday Community was the aspiration to get new contacts (82,6%). This proves our hypothesis that building networks is the most adequate KM method for SMEs. The motivation for that seems on the one hand to come out of the desire to get an overview about new trends in the sector (81,1%), on the other hand there is an apparent need for specific consultant, education and training activities like presentations of recognised experts (59,9%) and general guidance and education (51,1%).



**Figure 1: First Tuesday CZ community expectations**

In the discussion with workshop participants from Hungary it was made clear that in both countries there is no established knowledge sharing culture among SMEs because of the economic situation: SMEs are often only struggling for survive. One of the most important objectives for the future work of First Tuesday will be to foster more networking among SMEs.

#### 2.2.4 Interview

As a result of the vital discussion concerning his part of the keynote presentation, Dr. Fazlagic held an interview with Dr. Miroslaw Grudzien, Vice Director of VIGO. The goal of this interview was to understand the success factors of VIGO's KM system.

The following factors are seen by Dr. Grudzien as the main characteristics of KM in VIGO:

- No formal programme or scheme, KM is a spontaneous process
- Regular communication meetings
- Scientific excellence and prowess of the three founders
- Tacit knowledge of employees
- Knowledge creation client driven
- Technology knowledge is hard to imitate by competitors

- Secondary importance of literature studies and university-like research
- Friendly, family like culture supporting knowledge-sharing.

## **2.3 Spanish Week**

### **2.3.1 Online Workshop**

The online workshop was organized by Fundecyt, and it was attended by 7 people which discussed (in Spanish) about the main topics that are currently worrying Spanish SMEs: How, when and to whom apply knowledge management techniques in their usual company processes? Raul de Tena distributed some slides at the EKMF website, and this information was also used to talk about different themes. Namely, some of the analysed issues were:

- KM: current situation in Spain for SMEs. Reasons to use KM.
- From industrial economy to knowledge economy: New rules to play.
- Where is the real value of a company: Knowledge as a real asset, not always tangible...
- Knowledge versus information.
- Requirements to KM in SMEs.
- Practical case: How to set up a knowledge management system in a company.

As it was a lively discussion among the participants, different topics were analysed, specially concerning practical problems as “How to convince people to use knowledge management techniques?” and “How to set up a ‘Knowledge Culture’ inside the companies?”, especially when the employees are not enough motivated to share knowledge. Information transferring was also discussed.

### **2.3.2 Interview**

To present the needs of SMEs concerning knowledge management, the Spanish week team has chosen Monica Moso, Director of Cluster del Conocimiento, as interviewee. Cluster del Conocimiento is a well-known Spanish organisation dedicated to improve the management processes in Basque Country companies by taking knowledge management as starting point to achieve that.

Firstly, Monica provided an excellent overview on the differences of big enterprises and SMEs in using knowledge that can boost their success beneficially. Secondly, she indicated the real requirements that SMEs have when they start to think about integrating knowledge management into their company activities.

### **2.3.3 Discussion Forum**

The Discussion Forum is continuously open, specially for Spanish companies that can interact among them in Spanish in the area “Saber Latino”, an special zone organised by Fundecyt, a SME located in Badajoz (Extremadura – Spain). This forum was used to comment the online workshop given by Raul de Tena, and is still active with different posting from Spain and South America.

## **2.4 German and Swiss Week**

The fourth week of the theme started with the launch of the German (Wissenmanagement & Networking) Zone at Knowledge Board. The launch and the first activities of this Zone have been supported strongly by the theme activities because the attention of the whole German speaking Com-

munity of the KnowledgeBoard was lead there. Furthermore, the launch of the German Zone provided a good opportunity to attract German KnowledgeBoard members with the theme content and activities.

#### 2.4.1 Research / Case Studies

The Team of the German Zone provided a lot of valuable documents especially for German SMEs. In detail the following articles and case studies have been published:

1. An article from Stefan Heiliger (WZL, RWTH Aachen) and Prof. Dr.-Ing. T. Pfeifer ( WZL , RWTH Aachen) on best practice QFD (Quality Function Deployment). The authors assume that the application of QFD (Quality Function Deployment) Quality management methods will be a challenge for a successful product development within organisations. The integrated case study describes a method for the effective application of preventive quality management methods in the earlier phase of the product life cycle. This flexible approach is especially important for SMEs who are members of a supplier chain.
2. A case study on the systematic use of the Balanced Scorecard as management methodology within the cooperative SME focused project SENEKA by Christoph Jansen, (ZLW/IMI, RWTH Aachen). The Balanced Scorecard contemplates an organisation from four perspectives customers, internal processes, finances and cognitions/collaborators, so-called “soft figures” get hereby a special consideration. This contemplation includes all relevant cooperative processes and eases the decisions about company questions.
3. Within the article about Learning and Knowledge management between organisations, the training concept “Intercompany SYMA” from Renate Henning (OSTO System advisory, Aachen) and Heike Hunecke (ZLW/IMA, RWTH Aachen) was presented. This concept encourages inter-company transfer and sharing of personal know-how. The goal is to include impulses acquired in the knowledge transfer in the activities of both organisations. This training concept gives good impulses for SMEs just starting collaboration and networking.
4. The case study ‘Strengthen regions through electronic platforms: Learning through experiences’ by Dr. Daniela Ahrens (Institute Technic and Education, University Bremen) and Clemens Wudel (KMU-Net, Bremen) provides an other insight into the work of the SENEKA project. Due to increasing market flexibility and integration of organisations, bundling of regionally available resources and competencies becomes more and more attractive. In order to achieve distance and time independent cross-learn-processes and to foster the sharing of knowledge and experiences between different organisations, SENEKA is going to implement an electronic platform. The goal is to establish an heterogeneous working, learning and innovation network.
5. The Network analysis described in the article by Eva Geiger (Fraunhofer IPT, Aachen) and Marc Schröder (DaimlerChrysler, Stuttgart) offers action references for the development and organisation of networks as well as for the configuration and optimisation of cooperative processes. Thereby structural and cultural dimensions of the organisation and the competencies of net workers will be taken in account. Within the scope of SENEKA the build up of an consultancy-network at DaimlerChrysler will be initiated. In parallel, basic insights about the functions, processes and structure of such kinds of cooperations will be gained.

The published results of research and case studies are offering an excellent overview on special topics of interest that are actually discussed within the German speaking KM Community concerning SMEs.

### 2.4.2 Online Workshop

Within the German and Swiss week an online workshop on KM in German SMEs was held. Dr. Regina Oertel who is the head of the department 'Wissensmanagement' (Knowledge Management) of the ZLW/IMA (Center for Learning and Knowledge Management and Computer Science in Mechanical Engineering), Aachen University and project director of the German lead-project SENEKA (Service Networks for Training and Education) moderated the workshop as expert. She is with the editorial staff of the CEN/ISSS publication "Guide for Good Practise in Knowledge Management" Since October 2002, she bears responsibility - together with Annie Joan Olesen - for the work item "implementation of Knowledge Management in SME". The major objective of her project SENEKA is to foster the ability for innovation of SMEs through cooperation and networking.

The 10 participants of the workshop discussed the state of the art of German SMEs in KM. It became obvious, that German SME's have experiences with KM. KM elements should be developed, implemented and supported by the management of SMEs, since they concern the strategic decisions. The need for KM in SMEs is created by the recognised importance of knowing each other. Consequently, networking tools and methods have the highest impact on German SMEs. Knowledge sharing is often fostered by the build up of CoPs. The participants mentioned that successful CoPs need a leader which is able to integrate and motivate the involved people. Within German SMEs CoPs are considered to make sense only on a cross functional or inter-company level.

The workshop proved again the initial theme hypothesis that SMEs rely on Networking when it comes to KM. Other KM tools and methods were not even mentioned within the discussion.

### 2.4.3 Interview

At the end of the German and Swiss week an interview with Dr. Lando Lotter, managing director Chamber of Commerce and Industry Würzburg-Schweinfurt in Germany, was launched. Dr. Lotter explained that the Chamber of Commerce and Industry (CCI) is strongly medium-size oriented (95 % of the members are SME's). The CCI itself has implemented an organisational structure which allows to apply and develop KM methods and software solutions. Since knowledge is crucial factor for SME's, CCI aims to be a model for it's members.

It is still hard to find sufficiently and systematically applied KM in German SME's. CCI aims to raise awareness about the advantages and benefits of KM. Therefore, the chamber is organising seminars and some state-funded coaching programmes. Furthermore, the CCI provides information about the values and the methods of KM to it's members. Dr. Lotter pointed out that efficient KM requires an appropriate culture in the enterprise. KM elements have to be developed within the company network according to it's needs.

### 2.4.4 Discussion Forum

The discussion Forum within this first week of the German language Zone and the last week of the third theme was characterized by networking activities. People used the discussion forum to present themselves, their companies and their experiences in the field of KM. These networking activities were supported especially by the online workshop when people got the opportunity to chat with each other on a specific topic of interest in a live session.

## 2.5 General Activities

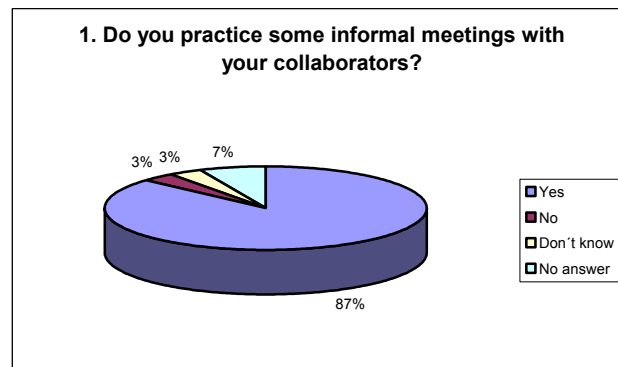
### 2.5.1 Online Survey

The Online Survey on theme 3 on the general question "What is the KM situation within your company?" was answered by 30 members working in an SME. In this survey 15 questions were

asked about how employees of SMEs work, where they work, and how they communicate. Within only 5 minutes these 15 questions gave the chance to give a snapshot of KM in European SMEs today. The objective of the survey was not only to provide this snapshot, but also to stimulate the respondents to think about some important questions about KM at their work and thus to potentially trigger activities in this area.

*Results:*

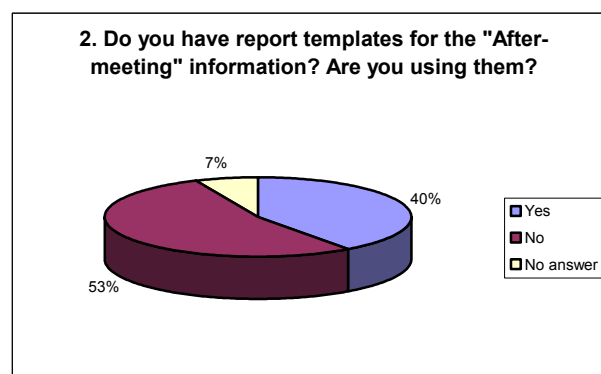
In the first question the respondent were asked if they are practicing informal meetings with their collaborators.



**Figure 2: Informal meetings**

Most of the responders have informal meetings with collaborators. The answers to the open question 1a showed that SMEs practice informal meetings mostly regularly (daily, weekly, monthly); only few of them in case of need. This points out that SMEs firstly are aware of the difference between formal and informal structure and secondly the regularity shows the recognised importance of informal meetings among them.

Questions 2, 6, 7 and 8 aimed to get an overview on the use of document systems like templates and filing systems. This also included questions on difficulties in locating information. Concerning report templates for the After-meeting-information, only 40% of the SMEs are using such tools for documentation and archiving (see Figure 3).



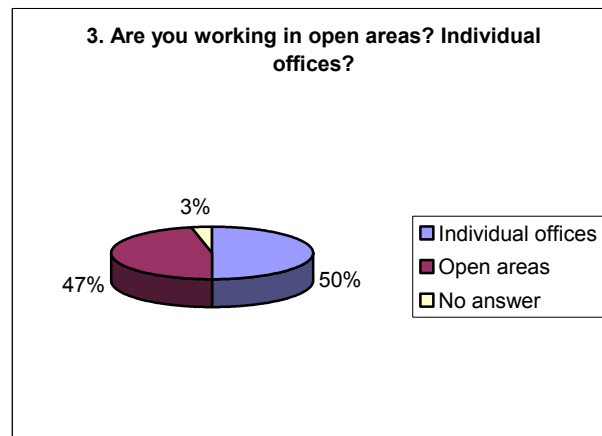
**Figure 3: Report templates**

Only 37% of the participants in the online survey are filling in report templates (question 2a), only 33% are sure that everybody in the company knows where they are located (question 2b) and only 23% assume that people who did not participate in the meeting are actively looking for this pieces

of information (question 2c). Even worse, 60% of the SMEs do not have a defined filing system (question 6), but 80% regularly archive their own working papers (question 8). Consequently, 47% of the respondents generally experience some difficulties location information.

These results clearly point out that there is a strong need on education, training and restructuring of existing document management activities in SMEs. That might be a valuable starting point for successful KM initiatives as effective access to documents is a mandatory pre-requisite for managing explicit knowledge.

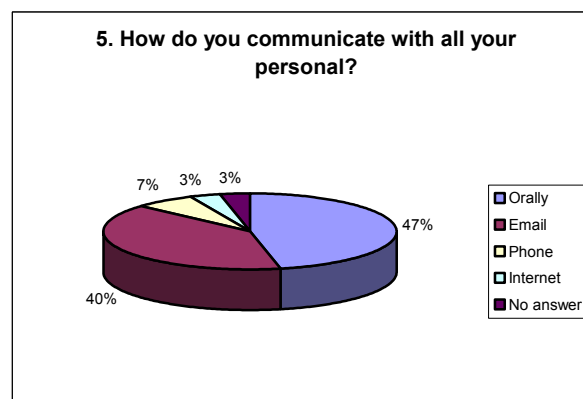
Question 3 was focussing on office layouts (see figure 4):



**Figure 4: Office architecture**

Most of the employees identify problems with their office layout (question 3a). Employees in the open areas complain more than the ones in individual offices. In open areas, problems with concentration are caused by the noise and by the lack of privacy. Individual offices isolate and delay the communication. These answers prove again that the office layout has an influence on knowledge sharing activities and knowledge flows. But they do not answer the question which office layout might be the ideal one.

Question 5 additionally asked for preferred communication channels in the communication between the employees of SMEs (see figure 5):

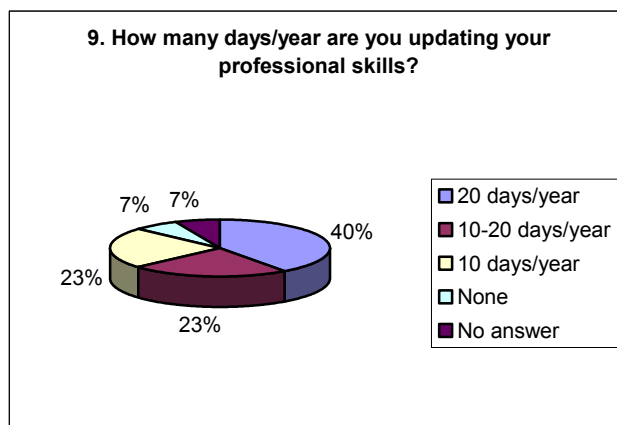


**Figure 5: Communication**

SMEs usually use different forms of communication. According to the answers to question 5a, face to face communication seems to offer an advantage to small organisations because it is quick, exact and improves trust. The disadvantage is the lack of written documents. E-mail is considered to be

quick, to have no distance barriers and to offer documentation. The mentioned problem is that it can be easier misinterpreted and is more impersonal.

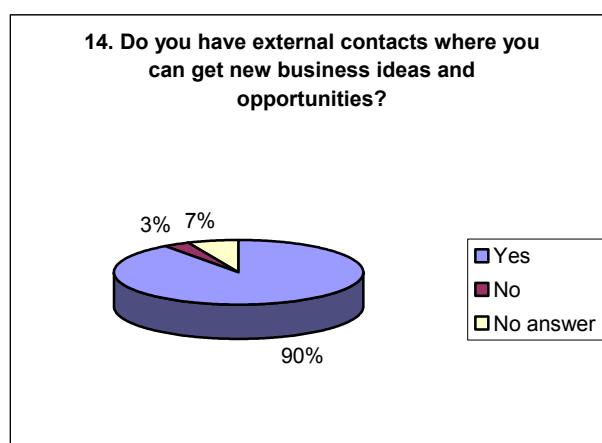
The next block of questions (9, 10, 11) was on professional training activities. 63% of the SMEs offer to their employees more than 10 days per year for updating their professional skills (see figure 6):



**Figure 6: Updating professional skills**

73% of the SMEs are developing career improvement/evaluation plans (question 10). 43% of them have an education partner (question 11). These answers show that professional training is an important issue for SMEs, and most of them are ready to offer special time and programs to their employers for skill improvement.

The last block of questions (12, 13, 14, 15) was specifically on the external network of the respondents. 67% answered that they are promoting management initiatives to clients and suppliers, only 13% do not (question 12). 93% of the interviewed SMEs have external contacts where they can get some assistance. 90% have external contacts where they get new business ideas and opportunities (question 14, see figure 7):



**Figure 7: External contacts**

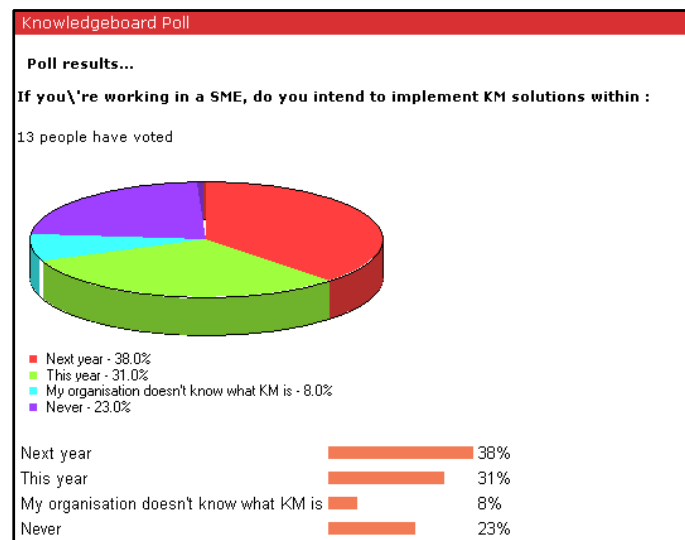
Surprisingly, there are much more international relationships among SMEs than relationships on the national or on the regional/local level (even less). These answers confirm the assumption that networking is of crucial importance for SMEs. While – amazingly – this is considered less important on the regional or even national level, international relationships seem to foster innovation.

The Online Survey within theme 6 can be reasonably seen as a useful instrument to gain a quick overview on the state of the art of KM in SMEs. It helps to identify valuable starting points for KM initiatives and needed training programmes like the requested ones on document management and networking.

### 2.5.2 Poll

The poll aimed to get an understanding about the current KM implementation plans in SMEs. The question was: "If you're working in a SME, do you intend to implement KM solutions within

- Next year
- This year
- My organisation doesn't know what KM is
- Never



**Figure 8: Results of the poll**

Figure 8 show the results of this poll. Unfortunately it has been answered only by 13 respondents, even though we had launched only one poll within theme 3 in order to get higher number.

The results show that app. 70% of the 13 respondents would like to implement a KM solution within this or the next years. It was also obvious that the other 30 % have not foreseen to implement and use KM solutions. 8% of them answered that they have a lack of understanding what KM means in the context of the organisation. For the other 23 % we have to assume that they are aware what KM offers to an organisation, but that these solutions are not considered as useful in the business context of their SME.

Looking critically at this today, there are arguments that the question was not well defined and that the message of this poll is thus limited. This is also supported by the fact that the poll received only 13 responses.

## 3 CONCLUSION

The theme had started with the following assumptions: SMEs are mostly not interested in high investment projects. They do not work so extensively across cultures and time zones, but more in

neighbourhoods and regions. They are in need of special KM solutions addressing in particular three main characteristics:

- SMEs need low budget (and high value) solutions, they are “focused on their daily business” and “do not have time for strategic matters”
- SMEs are acting very much locally by relying on regional resources and collaborators while at the same time being involved in global knowledge and production networks
- The smaller SMEs are, the more important external network are for knowledge sharing.

While assumption 1 and 3 were confirmed in this theme, assumption 2 was questioned by the result of a survey. In more details, we found the following:

### 3.1 KM in European SMEs

From our regional/national activities we concluded that the perception of the KM situation is apparently **different** in the European countries:

- Participants from **Eastern Europe** pointed out that most SMEs are still in the first generation of KM (i.e. KM for reuse) and that KM is often hindered by a reluctance to share.
- In **Spain, Germany and Switzerland** we found various activities that support “learning regions”, i.e. local networking initiatives that aim to promote learning and knowledge exchange between the regional actors.
- For **France** it was stated that small business entrepreneurs do not spend time on new management techniques and do not invest in high technology. It was also stated that and that the different concepts that knowledge management is promoting are not well integrated in the economic and business life, still looking for more concrete answers and perspectives that can be immediately exploited.

The importance of networking was emphasised across all countries, see next section.

### 3.2 Networking as the Major KM Approach for SMEs

The theme was mainly influenced by the topic ‘**networking**’. Again and again the importance of networking was highlighted by the participants in the events. In particular, it was stated that the smaller an enterprise is, the more important it is to be well networked – not only for the sake of knowledge management, but for business in general. It became obvious that the less people an organisation has, the more it is important to connect and communicate to people outside the organisation for exchanging knowledge and having access to newest trends and market signals. **External networking** is thus a central KM approach for SMEs.

It is necessary to consider that many of the active theme participants belonged to multiplier organisations (we had more multipliers than SMEs active in the theme). Among these, the belief in networking is probably even larger, firstly because they do already practice intensive networking due to their profession, and secondly because they are more connected to newest management concepts. We must thus bear in mind that the outcome of the theme is ‘biased’ because it is largely based on the opinions of this group. On the other hand, however, the importance of networking was also confirmed in the various external documents and reports collected for the theme.

This is also confirmed by the fact that various networking activities have been initiated by local and national governments and SME associations like Chambers of Commerce or sector associations all over Europe. Public and semi-public organisations take an important role in facilitating such networks, in particular as mediator, communication support and trust builder, and networking has become an important policy element.

The most important recommendation this theme is thus giving to SMEs is: **Network!**

### 3.3 Some other Successful KM Elements/Approaches in SMEs

- **Communities of practice** were named several times as a suitable KM approach for SMEs. Advantages named were especially its easy and flexible way of implementation and its informal and non-administrative character – characteristics that are very much appreciated by SMEs. The well known success criteria for CoPs such as leadership, facilitation, benefit for the participant were emphasised. It was also stated that decreed CoPs are likely to fail. The importance of networking was re-emphasised by the fact that most of the CoPs mentioned were inter organisational CoPs, such as CoPs where SME leaders meet or virtual CoPs for programmers.
- A company organised a **soccer match** which brought together the employees from different sites to get to know each other and to break the ice – with the long term goal to open them up for being ready to call each other in case of problems. The company brought together 200 employees in this match and the CEO assessed the approach as successful.
- A small company stated that they are starting the working day with a **team meeting** for discussing new ideas and concepts. This is particular useful in small groups with up to 10 people.
- Some **success criteria** were mentioned several times:
  - Do not raise the **expectations** too high, take small steps
  - Management must act as a **model** and must practice the KM methods as best in class
  - Put **informal communication** into the centre of your KM approach

### 3.4 Outlook – Issues to Approach and Open Questions

The theme brought forward some issues that seem to be currently unsatisfactory in SMEs and that should be approached by appropriate concepts, methods and tools in the future:

- **Document management** as a prerequisite for KM: efficient and effective document management still seems to be a major weakness and we believe that pragmatic training approaches are needed for increasing the SME's sensitivity about the importance of effective document management and for introducing basic skills in this area.
- **Office layout**: Office layout often seems to be perceived as problematic, but it is not known which layout may be better. This asks for more knowledge in this area, particularly within the context of SMEs constraints like small investment costs or reluctance to hire office designers. New knowledge must then be translated into appropriate concepts, infrastructures and their implementation.
- **International versus regional networking**: Was it by chance that international networking was considered more often by the SMEs than regional networking – or can this be confirmed in other surveys as well? If so, this must have a consequence in the current (policy) trend to foster regional networking: the trend must be shifted to foster international networking – an activity in which SMEs would be expected to have more difficulties anyhow due to language, travel, culture, connectedness issues etc..

### 3.5 New SIG at KnowledgeBoard: KM in Eastern Europe

As a result of this theme, a group has formed to build a Zone on KnowledgeBoard for networking around “**KM in Central Eastern Europe (CEE)**”. The group will be lead by Dr. Amir Fazlagic from the Poznan University of Economics, Mariusz Strojny from KPMG Poland, Joanna Kluczevska-Strojny from the Cracow Knowledge Management (all from Poland) and Dr. Patricia Wolf from University of Stuttgart/ Fraunhofer IAO, Germany. This SIG is aiming to play an important role in activating, integrating and supporting various CoPs within CEE. It is going:

1. To provide an integration platform for exchange of ideas and perspectives on KM, between enterprises and students across Eastern and Western Europe.
2. To serve as a learning platform for enterprises or academic institutions who are keen to learn and implement KM.
3. To contribute to the research of the special conditions and tasks of KM in Central Eastern Europe as well as to help interested partners in Eastern Europe to develop tools and methods for KM.
4. To serve as a channel for increasing the competitiveness of Eastern European partner countries for the entry in EU.
5. To serve as a unique meeting point for ideas on KM between Eastern and Western Europe.
6. To identify and to bridge the GAP between KM in CEE and KM in Western Europe in terms of KM (micro level) and knowledge economy (macro level) through mutual learning and bilateral transfer of knowledge.
7. To make Europe lead the way of the knowledge based economy (contribution to the overall vision of KB).

Besides the content oriented results, it should be mentioned that the theme also resulted in other tangible results by increasing the number of visitors in the “KM in SMEs” SIG at KnowledgeBoard and by helping launch the **German Zone** on “Wissensmanagement and Networking”.

It is also worth to note that the theme attracted more **multiplier** organisations than SMEs themselves. This confirmed somehow the statements given in the events themselves “that SMEs focus on their daily work and do not have time for strategic matters”. It seems that this is especially the case for synchronous events which require participation at a given point of time and which attracted less participants than e.g. the asynchronous documents provided within the theme.