

# Knowledge Transfer Process in Perak's Small Medium Enterprises (SME) Companies

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## ABSTRACT

Knowledge transfer (KT) exists in every corner of SME, in its structure and relationship especially in its people. Even though knowledge management will benefit SME as they are rich of tacit and explicit knowledge but lacking in expertise. Currently, knowledge management (KM) is almost impossible for Small and Medium Enterprise (SME). Since SME have efficient and informal communication network, knowledge transfer and sharing is essential especially in an organization with limited resources. Therefore, in the wake of knowledge-based economy, knowledge transfer and sharing is the best tool for SME in enhancing competence and organizational performance which relate its needs and background. Knowledge transfer and sharing is still at new especially in SME. The objective of this study is to exploring the knowledge transfer process in Small and Medium Enterprise (SME) businesses in Perak. In doing this, it examines how knowledge is transferred in SME businesses between people in the company. The study also explores problems and factors affecting knowledge transfer process. The knowledge transfer framework is proposed to assist SME managers in formulating and implementing for knowledge transfer process. By using a qualitative research approach, this research employed a case study approach with multiple cases strategy. Two SME company in Perak were used as cases. The study used semi- structured interviews with SME managers, workers and information provider in Perak state. The interview results were analyzed across the cases and the findings were used to test and refine the proposed framework. The main findings from these two interviewed revealed that the knowledge transfer process is most affected by communication, trust, relationship, willingness, experience and organization culture. However, the finding also revealed the major problem in the process such as language and technology.

**Keywords:** Trust, Willingness, Relationship, Communication, Knowledge Transfer

## 1.0 INTRODUCTION

In emerging economies, Small and Medium Enterprises (SMEs) in Malaysia play as major sectors that contributed greatly to the economic growth and known as the backbone of industrial development which driving the country's economic growth. This is because; the small business like SME can contribute an important of country economy output. The SME industries also are seen as a key to the economic growth, innovations and market competition (Bannock, 2005). In Malaysia, for instance the statistical from Masterplan (2012-2020) reveals that SME sectors in Malaysia were contributed 99.2% to the overall business establishments which accounted 32 % of GDP, 19 % of exports and 59% of employment. In Malaysia, SMEs are largely found in four

broad economic segments, namely, manufacturing, services, basic materials producers and Agriculture (Hashim, 2007). Even though SME are considered a backbone of industrial development in Malaysia (Ndubisi and Salleh, 2006), SME contribution to the economy is still relatively small (SME Annual Report 2006). As Malaysian government has made development of SMEs a high priority area, full supports is given to SME to enhance their performance. In Eleven Malaysia Plan and Third Industrial Master plan which offers a platform for financial capital, training, information, policies and strategies. The SME business has a higher risk of failure than their larger complement (Storey, 2000). In Perak, only 200 small entrepreneurs registered with Perbadanan Kemajuan Negeri Perak however 65 from them active in running their businesses (Perbadanan Kemajuan Negeri Perak, 2016). However, research in small businesses reveals that one of the unique features is lack resource (Burgess, Sellitto and Karanasios, 2009) which consists of limited financial resources, system resources, business resources, and personnel resources.

Therefore, one major issue which always facing by SMEs in achieving business success is the management of their knowledge (Chen et al., 2011) due to the low level of remuneration and limited chances for career path. This can make the company loss of knowledge associated with those who leave the business (if their knowledge is yet to be captured, stored and/or shared) (Wong, WLP and Radcliffe 2000). Thus, because of that there is no guarantee that expert employees in businesses are willing to share their knowledge, or even whether they know how to transfer knowledge effectively with their peers, within their group and amongst different groups in their organization (Whyte and Classen 2012). The knowledge transfer process is also affected by organization which related factors such as organisational structures, business processes and culture which enable, encourage, motivate and maintain the knowledge transfer related activities (Alavi and Leidner 2001). Consequently it is central issue for small businesses to manage the process of transferring knowledge within their organizations. There are many issues associated with knowledge management, knowledge transfer is seen as more important process due to its ability to influence the organisation to absorb and profit from individual knowledge (Cantú, Criado and Criado 2009; Chen et al. 2006; Szulanski 2000). From this context, knowledge transfer signifies the most important process of knowledge management (Kumar and Ganesh 2009).

Nowadays, knowledge has been realized as being a most valuable resource. Knowledge, is not just another type of resource besides land, labour, capital; it is the only meaningful resource which makes our new society unique (Drucker, 1993). Knowledge is vital not only for societies but for organizations too, for instance groups or individuals (Maier, 2004). It is important for the organization to manage this unique asset in an effective and efficient manner, because knowledge was suggested by Alavi and Leidner (1999) to be as an asset for the organization.

The transfer of knowledge occurs when knowledge is diffused from one resource to another by storing or sharing it. Knowledge is either transferred purposefully or it may occur as an outcome of other activity. It can be defined as *“Knowledge systematic approach that obtain, organize, restructure, warehouse or memorize, deployment and distribute knowledge to points of action where it will be used for sharing and adopting best practices”* (Wiig, 1997, p. 8). Thus, the simplest approach to knowledge transfer is to consider knowledge transfer as knowledge sharing among people (Dyer and Nobeoka, 2000). However, Knowledge sharing involves the giving and taking of information framed within a context by participants involved. The received information is framed by the knowledge of the receiver. Since the source and the receiver may

be different in their prior knowledge and their identities, they may have different perceptions and interpretations of the same information.

The level of knowledge transfer is defined by the level of knowledge integrated within an individual and the level of satisfaction with transferred knowledge expressed by the receiver. This is because, the knowledge transfer is a process of creation, transfer, application and succeeding development through combination of the transferred knowledge with the receiver's existing knowledge (Almeida, Song and Grant, 2002). The knowledge transfer enables to be accessed beyond the originating person or department to locations in the organization, where it is required and can be utilized (Alavi and Leidner, 2001). The transfer process can occur through channels such as communication processes, information flows, informal seminars, conversations and the like. The effectiveness of these channels is dependent on the perceived value of information, the richness of transmission channels, and the motivational disposition and absorptive capability of the people involved in it. The transfer of knowledge depends on time, scope, complexity, and strategic importance because it determines the effort and resources of the organization. The organization needs to consider pedagogical skills, teaching and learning capabilities, and social networks for successful implementation.

Varieties definitions of knowledge transfer but the main aspects of knowledge transfer are knowledge movement and its application by the receiver that could lead to creation of new knowledge or changes in behavior. While, to direct individual knowledge for organizational purposes, an organization should develop and nurture an environment of knowledge sharing, transformation and integration between its employees (Nonaka and Toyama, 2002). This is because, the main of transfer is often explain in terms of finding effective ways to let people talk and listen to one another (Davenport and Prusak, 1998). Currently, many economists often mention that the individual is not only willing to learn new things from other resources but also willing to share the knowledge that they gain. Considering this notion, it appears that transferring knowledge is rather very smooth process. Nevertheless, there are few factors that make it complex. The organization may be threaten by the significant problems for instance unwilling to share, difficult to articulate, time and so forth for which organization should develop and create other strategies to capture the knowledge and transfer them to appropriate resource.

## **2.0 PROBLEM STATEMENT**

Small and Medium (SME) businesses contribute an important share of economic output. In addition, SME businesses play a major role in contributing to overall employment as well as job creation (Dobbs and Hamilton 2007). SME businesses are also seen as a key to economic growth, innovations, and market competition and provide a seedbed for large businesses and new industries (Bannock 2005). However, the existence of knowledge management always focused on big but providing small information for SME enterprises even though they are a majority in Perak as well as in many other countries.

The researcher believes the lack of attention, SME are putting on the strategic management of their knowledge is worrying. Previously, few researchers have stated that KM has "*much to offer in SME*" sector where scarce resources, market agility, closeness to the customer, fewer layers condition the performance of the firm. Similarity, a report from SMIDEC (2012-2020, highlighted the challenges facing SMEs in access to financing, human capital development market access,

innovation and technology adoption, for example, lack of know-how and resources, poor technology uptake, information barrier, limited focus on marketing and branding and also low utilization of existing training. It is also occurred in Perak states, where a few real scenarios highlighted for instances, 270 or 97 percents of the entrepreneurs registered with PKNP whereas some of them are running without any guidance (Perak Entrepreneur Development of Rural Industry statistic, 2014).

However, the scarce of knowledge entrepreneurs' in Perak also affected to their business performance too (Kadir, 2015) and this agreed by Faizal (2016) stress that three major problems facing by youth entrepreneurs in Perak such as how to begin the business and lack of information and knowledge in business management. Thus, it revealed that SME companies' resources are scarce so they need to maximise their efficiency by all possible means in order to maintain their competitive advantage and survive in the market. So, the knowledge management can offer them solutions to enhance the management of their knowledge (Bajracharya and Masdeu, 2006).

Operating in the knowledge-based economy, one of areas that concern by SME companies is the need to hunt effective knowledge transfer within an organization. Effective knowledge transfer will facilitate the conversion process of tacit knowledge to explicit knowledge and vice versa and this will eventually influence the learning process and organizational performance. Thus, this paper is expected to explore how knowledge is transferred within peoples in the organization, the problems and other influenced factors arise during the process.

### **3.0 LITERATURE REVIEW**

The knowledge management has driven unique attention in today's business. In today's global knowledge society, knowledge has been realized as being a most valuable resource. Knowledge, is not just another type of resource besides land, labour, capital but it is the only meaningful resource which makes our new society unique (Drucker, 1993). The vital of knowledge is not only societies but also for organizations (Maier 2004) but for teams and individuals. According to Alavi and Leidner(1999), knowledge suggested to be an asset of the for organizations. The impacts of knowledge management are on people (employee learning, adaptability and job satisfaction), processes (efficiency, effectiveness and innovation), products, and performance (Frey, 2002). Therefore, it is important for the organization to manage this valuable asset in an effective and efficient manner.

Knowledge is defined as a "justified true belief" (Nonaka 1994, p. 15) where It can be viewed as a state of mind for instance the state of knowing and understanding, an object, a process, a stipulation of having access to information, or capability (Alavi and Leidner 2001). It can be said that, Knowledge can be considered as a collection of facts, information, and skills acquired by a person through experience or education; or the theoretical or practical understanding of a subject (McCall, 2008).

#### **3.1 Types of Knowledge**

There are two types of knowledge known as explicit" (or "codified" knowledge) and "tacit" knowledge (Nonaka and Takeuchi, 1995). An Explicit knowledge is that can be codified and

transmitted in systematic and formal languages such as explicit knowledge is information about rules and regulations, announcements, company contact information, organisational structure (Nonaka and Takeuchi 1995).

However, tacit knowledge is personal, context specific knowledge that is difficult to formalize, record, or articulate and it is stored in the 'heads' of people (Nonaka and Takeuchi 1995). The tacit knowledge developed through a process of interaction, debate, and trial and error encountered in practice (Desouza and Paquette, 2011). It is hard to be captured and diffused but it contributes more value to the organization compared to explicit knowledge (Chin Wei, Siong Choy and Geok Chew, 2011).

Tacit knowledge can be converted to explicit and vice versa. The knowledge conversion processes were consisted of four forms such as Socialization, Externalization, Combination and Internalization (Nonaka and Takeuchi, 1995). Socialization refers to an organizational process through which tacit knowledge held by some individuals is transferred in tacit form to others with whom they interact. This process can be carried out via interactions, observing, discussing, analysing, spending time together or living in the same (Nonaka and Takeuchi, 1995). Externalization refers to the transformation of some tacit knowledge into explicit knowledge. This process is repeatedly driven via theories, concepts, models, analogies, metaphors and so forth. Combination refers to the conversion of codified knowledge into new forms of codified knowledge. By combining different bodies of explicit knowledge, new categories of knowledge are obtained. Explicit knowledge-explicit knowledge conversion can be achieved through channels of communication within the firm. The final stage is Internalization process. It is a conversion of explicit knowledge into a tacit form. It basically reflects a type of learning process through which agents are taught and trained to perform specific tasks. Organizations provide training programs for their employees at different stages of their working with the company. By reading these training manuals and documents employees internalize the tacit knowledge and try to create new knowledge after the internalization process.

### **3.2 Knowledge Management**

At the moment of the business world is going through a change known the third industrial revolution (Lester Thurow ,2003). This means that we are shifting towards knowledge- based economy. Knowledge has become the most important resource for companies and organizations. However, the importance of knowledge has been realized the challenge is to find ways to manage and utilize the knowledge efficiently. (Nonaka, Toyama and Hirata 2008). Knowledge management is one of the most important factors when trying to deal with in the competitive markets. The competition between companies has increased extremely. Organizations must always think of new ways to enhance their quality of services and products.

Theoretically, knowledge management is "knowledge creation, which is followed by knowledge interpretation, knowledge dissemination and use, and knowledge retention and refinement" (De Jarnett 1996, p. 1). Generally, knowledge management is a process involving set of different activities (Bingley et al., 2010) such as creating, storing ,retrieving, transferring and applying knowledge (Alavi and Leidner 2001). In addition to the creation of new knowledge, knowledge capture is the process of retrieving both explicit or tacit knowledge that resides within people, artifacts or organizational entities (Dalkir, 2011). Related to the knowledge discovery process, there are also two sub-processes which are based on Nonaka's work: externalization and internalization. The Externalization is the transfer process of individual's tacit knowledge into

explicit forms so the other people are able to understand. The internalization involves converting explicit knowledge into tacit knowledge through the notion of learning.

Knowledge that was captured or discovered needs to be shared or communicated to other people and this process known as knowledge sharing (Dalkir, 2011). Therefore, socialization is for tacit knowledge where the transfer process is used to share explicit knowledge mainly through communication (Nonaka,1995). Once it discovered, captured and shared, knowledge is ready to used or applied by employees to support them in daily work related activities (Bingley et al., 2010).

### 3.3 Knowledge Management Processes

The organization need to have four basic building blocks as an essential to ensure that the knowledge sharing successful. The main block is a trust (Covey, 1990), because it is the highest way to show one's motivation. Trust is also important for the organizations, and it enables efficient co-working. It can be said that, with good organization culture it will improves the motivation and the creation of trust. This is because, when the culture is not too competitive the employees are willing to communicate, and they do not feel that they should keep the knowledge by themselves. The knowledge and professional know- how should be respected to ensure that the employees are eager to share their knowledge (Shah, 2014).

Open communication is the second block where it shows that the Communication helps to create trust, and it makes co-operating fluent and efficient. Simply defined, the employees should always be well informed about all the important issues occurred. So, when they have current information and they know why it is essential, they can build their trust towards the organization. While, learning is the third block, where individuals learn new thing, they get professional know-how and become more confident and trusting. When there is trust on the background, learning naturally leads to the willingness of sharing the knowledge. So, the Knowledge sharing is the fourth and last of these building blocks.

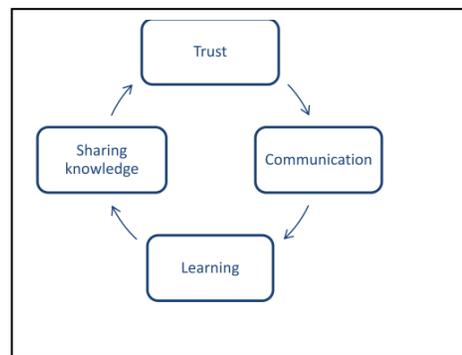


Figure 1 Building blocks for knowledge management processes (Shah, 2014)

In every organization there are changes going on all the time for instance, new innovations, improvements, new software, experiments, tools and methods are being applied. Change management has become an important managerial part in organizations. As changes have become so frequent it is a need that the changes are carefully managed. Successful change management is one way to support the basement for all knowledge sharing processes. The

Successful leading of changes improves the feeling of trust and employee satisfaction. This is because, trust encourages employees to communicate, learn and share knowledge.

### **3.4 Knowledge Transfer Process**

The concept of knowledge transfer is simple; its execution in an organizational setting is not. This is because organizations often do not know what they know and often have internal factors that hinder the transmission of different forms of knowledge between their various locations. The simplest approach to knowledge transfer is to consider knowledge transfer as knowledge sharing among people (Dyer and Nobeoka, 2000). Knowledge sharing involves the giving and taking of information framed within a context by participants involved. However, a few views stated that knowledge transfer as a process through which knowledge moves between a source and a recipient and where knowledge is applied and used (Szulanski, 1996, 2000; Carlile, 2004; Szulanski, Cappetta and Jensen, 2004). For instance, in an organization, knowledge can be transferred among individuals, between different levels in the organizational hierarchy and between different units and departments. The main aspect in knowledge transfer is the knowledge movement and its application by the receiver that could lead to creation of new knowledge or changes in behavior. Thus the core of transfer is always described in terms of finding effective ways to let people talk and listen to one another (Davenport and Prusak, 1998).

Knowledge can be embedded in the assorted networks formed by combining members, tools, and tasks in the organization. The important source of the productivity benefits that organizations typically gain with experience is learning which member is good at which tasks and assigning tasks accordingly (Argote, 1993). Knowledge transfer occurs when experience in one unit of an organization affects another unit (Argote and Ingram, 2000) and can occur explicitly, for instance a department communicates with another department about a practice that it has found to improve performance. Though, Knowledge transfer can also occur implicitly without the recipient unit being able to articulate the knowledge it has acquired. It revealed that, the knowledge can be transferred by moving a knowledge reservoir from one department to another or by amend a knowledge reservoir at a receiver site. Members can be moved from one department to another. The reservoirs at the recipient unit can also be modified through communication and training.

There are two elements were taken from simple communication theory developed by Deutsch (1952) to be as a guide in knowledge transfer process. The knowledge transfer is the way to convey of knowledge from one place to another or from one person to others. The successful in distributing knowledge in one company or organization is through, how they apply it in their daily tasks. Thus, figure 1 is about knowledge transfer process developed by Deutsch (1952), where he used a simple of communication theory.

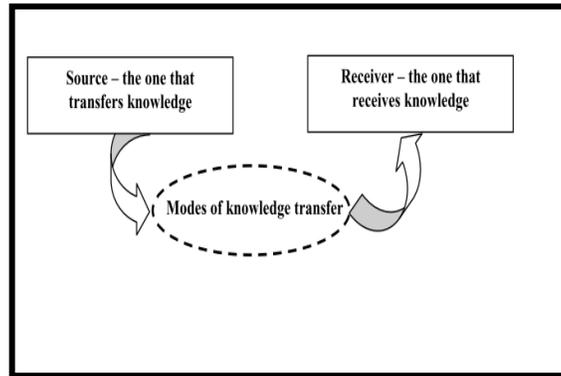


Figure 2 Knowledge transfer - 'an act of communication' by Deutsch (1952),

The most important aspects in knowledge transfer process are involved sender (source) and receiver. The sender is the person those are distributes the knowledge while receivers those are receive the knowledge. Even, the knowledge transfer is simple however it is complicated due to the factors and environments that influenced the process.

### 3.5 How to Transfer The Knowledge

#### 3.5.1.1 Communication

Successful transfer of knowledge requires face-to-face interaction or communication (Harmaala, 2014). The most common and very efficient way is the expert-novice model. Quite often it is thought that the younger, the novice, learns from the older, the expert. The benefits occur when both share their ideas and own opinions, also the younger person shares his or her own ideas. Therefore they are able to share thoughts, but also create new knowledge. The face-to-face interaction is usually referred as the best way of sharing knowledge. However, to ensure this process is success this people should get along well with each other, and be well motivated

#### 3.5.1.2 Learning by observation and learning by example

It is not possible to observe someone's knowledge, but it is possible to observe the behaviour of an expert or the expertise of a person. Observing the behaviour of another person, when he/she is applying its knowledge in daily situations, is a source of learning of tacit knowledge (Masdeu, 2006). In this case, informal learning will take place since knowledge is not transferred in predefined circumstances or objectives.

#### 3.5.1.3 Mentoring

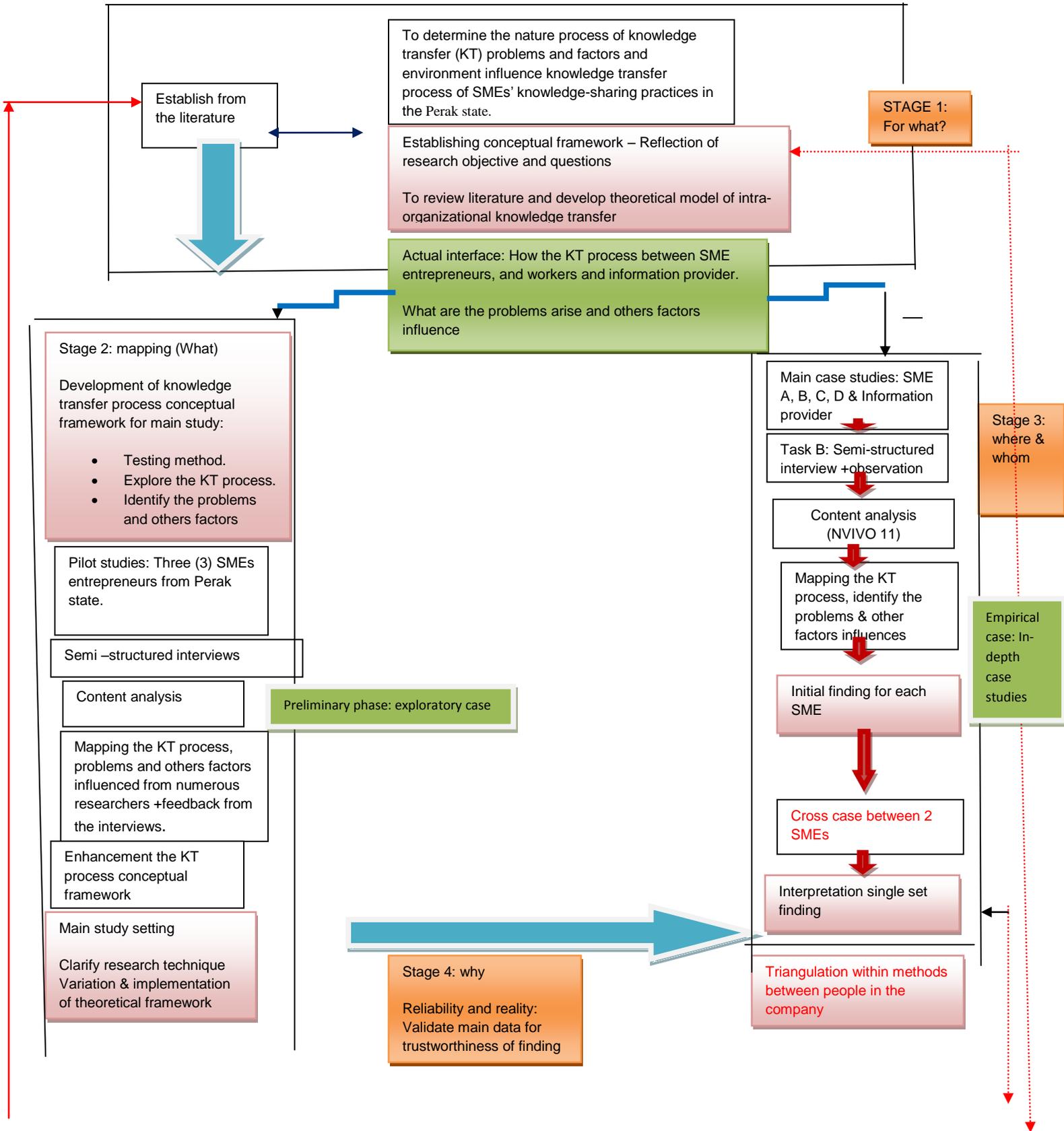
Mentoring transfers tacit knowledge through informal learning. The mentor, or expert, relies on his/her long experience in different context which permits him/her to recognize patterns and select the relevant information. Mentors transfer skills, and more concretely transfer informally technical skills, as well as knowledge about organizational routines. The transmission of organizational culture, including the language of the company and its values, is done quickly through mentoring (Swap, Leonard, Shields and Abrams, 2001). However, it can be practiced in several ways, such as hiring an outsider or choosing mentors from the own organization. (Jordana, 2014). The traditional concept of mentoring in work life is that an experienced colleague gives guidance, advice and support for a new employee. Many organizations have launched mentoring schemes as the results have been beneficial. This teaching method is a low-cost means to make the most out of the organization's staff, and sharing knowledge for new employees.

#### **3.5.1.4 Brainstorming or meeting**

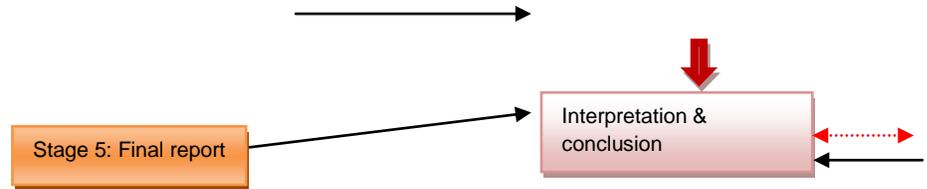
Other methods can be used to codify tacit knowledge. Ad hoc sessions consist in brainstorming sessions attended by members of a professional network or expertise community. Road maps are more formal meetings focused in solving daily problems in a public forum (Dalkir, 2005). Tacit knowledge transfer can be done by creating repositories or databases capturing the know-how and valuable knowledge of an organization. It seems that in company's pair work is the most efficient for tacit knowledge sharing. This enables sharing ideas, thoughts, opinions and experiences between others (Harmaala, 2014). Weekly meetings or group meetings are held in most of the organizations. It would be important to raise some issues, problems and experiences in the conversation. All the important topics can be discussed together, and solutions could be better found. These kinds of meetings should be separated from informative meetings. Thus, the employees in the company usually have no chance to express their own experiences or problems because of an off- topic nature of issue or lack of time. (Moilanen, 2010).

#### **3.5.1.5 Team work**

The team work is the most efficient when attendants are from different age groups and have differing experiences. In teams all the members must co-operate and share ideas and opinions. Team work can be more time consuming than for example pair work as there are more members and therefore more opinions and more controversy (Moilanen, 2010). The good side of this on the other hand is that the solutions are more deeper explored and the issues have many people's viewpoints. Therefore in team work it is a necessity to communicate, to share knowledge, and to question to get to the best results. All this co-operation includes sharing tacit knowledge.



## 4.0 METHODOLOGY



The study mainly used the qualitative data collection technique including semi-structured interviews with open ended questions and observation. Interview is an essential source of case study evidence, because most of case studies are about human affairs (Yin 2003). The semi-structured interviews were helpful in gaining information on the experiences, perceptions and opinions of the research participants (Creswell 1998). Open ended questions also allowed participants and the interviewer to follow up specific issues, dismiss them as insignificant, or suggest addition views during the course of the interview (Patton, 2002). Yin (2003), adds that open-ended questions are a way to gain greater insight into the matter investigated. Furthermore, the opened-ended questions were used to overcome the weaknesses of closed questions and formal, structured interviews which do not allow responses to be explored more deeply and do not allow follow-up questions (Creswell 1998).

Based on the key research question and sub research questions, the open ended questions with probed questions were designed to assist the researcher to collect data. In addition to semi-structured interviews, the researcher also reviewed the company documents such as company websites, employee handbooks, company announcements, ISO documents, working procedures for gaining insights into the knowledge transfer practice at the investigated companies. In this paper, two interviews (two SME companies) were made to get qualitative information. Two interviews were made for two company 1 and company 2 managers and employees. The respondents were selected from a list which was compiled from data provided by Perbadanan Kemajuan Negeri Perak, RISDA and Jabatan Perikanan Malaysia (Perak Branch).

The objective of the interviews was to give more open chance for the employees to talk about the knowledge transfer issues in the organization. Interview guides were written which were then asked from the interviewees. Interviews were recorded to remember the answers and a few notes were made during the interviews, but the answers were summarized later based on the recordings.

The researcher ran a small scale exploratory study to explore the knowledge transfer process between three selected SME companies in Perak state. The exploratory study was also used to gain views from the SME managers and employees their understanding in knowledge transfer process. This pilot study is also associated with the purpose of the pilot study itself. To investigate whether the issues found in first part of the literature review are indeed true and to improve the perception of the fairness in the research (Yin, 2009).

Each interview lasted between 1½ to 3 hours and these were then transcribed, coded and analysed through content analysis using NVivo to derive key knowledge transfer process between SME entrepreneurs in Perak.

The researcher used the cross-case analysis aims not to make the evaluation for each company but it only to report based on the knowledge transfer process between SME entrepreneurs in order to answer the objective and research question which is to explore the knowledge transfer process of two SME companies in Perak which namely as company 1 (C1) and company 2 (C2).

## 5.0 FINDINGS

Below are the preliminary discussions on the factors above.

### Communication

In knowledge transfer communication is important medium to ensure the process successful. This is because communications between people are proposed to be the most effective ways to transfer knowledge (Kogut and Zander, 1992; Szulanski, 1996). This interaction is based on the behavior of individuals which in turn is driven by motivational factors and the approach of communication is a good way to do a two-way communication in a sustainable manner and simultaneously to express the ideas (William and Gibson, 1991; Wahab, 2009). According to the interviews from two SME companies, the managers were used medium of communication between their employees during the sharing session in the company. For this reason, working together is more efficient than explaining the tasks for documentation. These situations require a face-to-face interaction and working together to learn the work tasks well.

**Manager of Company 1 (C1):** *“mostly, we are communicating when trying to share something new between each others. And.....sometimes we are sitting down ...and talk each other...or we chatting during the break hour...discuss something about work”.*

**Manager of Company 2 (C2):** *“ermmmm....of course we were communicate and talk each other...if no...how???...usually we talked when we have something to announce to our employees. This is because; when we put the memo at notice board...they always ignored it. So the best way, I think better we announce it through communication or approach them during the meeting”.*

**Employee 1 (E1):** *“yes...yes...we are talked each other if we want to share something news with our members. For me...it is more to understand...comfortable and not feeling shy when we want ask ...if we not understand. In addition, it is difficult to use email ...takes time....”*

**Employee 2 (E2):** *“I am too old (50 years old) and senior employee in this company. I am more preferred to talk rather than use email. Talking make me more understand and no doubt in completing my tasks...anything the boss called and talk to me clearly....”*

The above situation is common scenario in the company. According to the interviews and observations with two SME managers and their employees they were used communication medium as the best hub in transferring and sharing information to their employees. It is more effective in transferring information to their employees.

### Trust

Accordingly Spreitzer and Mishra (1999) examined the role of trust plays in facilitating the willingness of managers to trust employees in decision making. These authors argue that a manager's trust in employees reflects a belief on the part of the manager that employees care

about the goals of the organization and are competent to make good decisions. The findings of this study revealed that trust acts as a social lubricant in the relationship between managers and employees. Managers trust employees when they believe employees are concerned about the needs of the organization and open to sharing sensitive information.

**Manager C1:** *“.....Something must be kept as a company secret...(laughing)..but for your information only selected employees knew the secret. But...in completing and achieving the company target, of course I trust all my employees...they are very well experienced...so for me... I trust them 100 percent while the rest I let to the God...they are like my family”.*

**Manager C2:** *“... I trust my employees 100 percents...they were expert and experienced in their routine tasks. If I do not have trust on them.....so how my company produces the products base on the company target. This because, we have to produce at least...600 quantity in each time. If they faced with problems during working hours ...they can see me...and let me know...”.*

**Employee1:** *“...yes, our manager trusts on us... so we have to accomplish our tasks as usual...I have to focus on my tasks...I am responsible on my peoples...I have to make weekly report and send to my manager. If no....my boss will angry me...that's why I have to make it well and focus in my task”.*

**Employee 2:** *“...our boss give 200 percents trust on us in this company...he is a kind boss and threat us like as a family. I like to work here and majority of us felt comfortable...for your information majority of the employees in here, worked more than ten years...the boss always give reward to motivate us...”.*

### **Experience**

Finding from interviews revealed that, in the process of knowledge transfer and sharing, both SME companies manifested practices of regular meetings to share the know-how, experience, insight, or ideas between them. Knowledge transfer occurs when experience in one unit of an organization affects another unit (Argote and Ingram, 2000). Both of the companies' team members have long working experience together since the company established. Even though, they have different backgrounds, they try to involve each other in sharing their experience (Masdeu, 2006).

In the both scenario of two companies, good work mates were mentioned to be important part of the work. It is important that the employees feel comfortable at work and that they have good relationships with co-workers. Thus, the personnel experienced that the atmosphere at work is good and they can freely talk about their opinions. Replacements and holidays can be easier handled when knowledge is shared. It would be good if all the employees had someone who can replace them if needed.

This is because the employees 1 and 2 explain it: *“We know that we are small company and we try to do things that everyone can get involved so all three share things. But I can't teach them all in management side and I can't learn all technical side from them either. So it is difficult”.*

*However, the both manager agree that, they try to divide the work according to their specialty and also try to help each other.*

**Manager C1:** *“Our employees experienced ....majority of them worked more than six years. So, they now their tasks and our company adapt multitasking work to all the employees. Let say, one of them emergency leave...so they can replace their members task. They also can guide and teach the new comer (If somebody resigns in the company)”*.

**Manager C2:** *“They are well trained ...ermmmm includes me. This is because, I am also learn from my own experience (little experience)...most of them were older than me, so sometimes I learn from them...and they also willing to teach me based on their previous experience. I am glad to have them together enhance this company. But...it takes time to approach them...if they do any mistakes...I have to talk slowly to solve it”*.

**Employee 1:** *“I can replace my members if they have any emergency case or on leave...nothing to worry because I knew he/she tasks...but sometimes our boss also can replace too. In this company we are like family ...helps each other”*.

**Employee 2:** *“In this company we use semi-auto technology. All employees knew all the steps how to use the machine. If we confuse or do not know how to use it...we will ask the technician...And he will teach and guide us to use. We also can replace others’ tasks if they have emergency case. The company pastes the work flow or memo at every department, so we can refer to it...if we still blur, the supervisor will come to guide us”*.

### **Relationship**

In process of knowledge transfer, relationship is most important aspects to build up where without it there is no opportunity in the future. The informal and close relationship (family oriented) among employer and employees is important to create trust and encourage sharing ideas or knowledge between two parties in the company. This informal channel of communication reflects the working relationship compare to formal channels (Cross et al., 2002; Toan, 2013; Panteli, 2013).

**Manager C1:** *“...we are like family ...so they feel comfortable to come work and do their routine tasks. They can talk (if have a problem) to me anytime. When we have good relationship with them, as a manager it is easy when need their hand to work hard...but must talk carefully. We can talk each other without formal session if we have something to talk (about work)...so sometimes no need to wait for the meeting time”*.

**Manager C2:** *“...All the employees are good, because we work as a one family. When, they felt like a family...they can share what they knew to me (senior employee) because even I am a manager...sometimes certain thing I do not know. So, I had to ask the senior employee to teach me, this is because they worked with my company started from my late father managed the company”*.

**Employee 1:** *“As an employee in this company I felt comfortable to work here, the boss threat us like their own family...we can talk about work not only at office but we can talk anywhere and any place. I also a senior employee too, sometimes the boss asked me to teach the new comer...but not only me, everybody who are willing to teach...they also can do it. When have good relationship and not quarrelling each other’s...it makes our work easier and we can share information with our friends”*.

*Employee 2: "Even, this company has multi races of employees...I like to work here. We can help each other during working hour...during the meeting ...the boss gave us chance to talk, so we can give ideas and share together. Sometimes, we replace our friends' task if they are on emergency leave...this is because we always help and support each other's...we are also share our knowledge even, different departments...anything happen, it is nothing to worry".*

Closeness of work mates improves the well-being at work also as it enables communication and commerce with others preventing the feeling of loneliness. The employees answered that the old and new employees often work together. Social relationships that are developed in the workplace may be the most important factor that assists knowledge sharing among employees within an organization. When employees develop work relationships based on affective trust, their ability and willingness to share knowledge in their organization will increase.

### **Motivation**

Motivation is central to transfer success (Kalling, 2003), the company must motivate their employees to ensure they stay long and make the company succeed. Giving incentives or rewards to employees helps to motivate and reinforce the positive behaviors and culture needed for effective knowledge transfer process (Davenport et al., 2003). If the situations go smoothly, time and money is being saved and the knowledge transfer process is continues in the organization.

Finding from the interviews shows that, Company 1 and 2 gave rewards based on their employees key performance index (KPI). By this rewards it will encourage to work hard and practice the culture knowledge sharing practice in the company.

**Employee 1 and 2:** *"the company gave us reward (for instance: excellent employee), incentives (money), trip and so on. It makes us felt comfortable and like to work here. When we felt comfortable, we can discuss and share anything with our gangs and boss too. By this way, we never feel embarrassed when we want to give opinions".*

It can say that, the employees are motivated when sharing personal knowledge. The fact that the company is small makes the employee to be close to the concern of the company and hence motivation is higher.

### **Organizational Culture**

Organizational culture not just defines the value of knowledge and explains the advantage that knowledge creates for the organization (Long, 1997) but it also influences the efforts that the employee is willing to share and put into the organization. An organization's culture suggests what to do and what not to do regarding knowledge processing and communication. Organizational beliefs that influence knowledge sharing include the creation of a sense of involvement and contribution among employees, the types of knowledge that are valued, and knowledge related values such as trust and openness. Findings for this paper reveal that both of the SME companies in this paper were practiced working in teamwork, give rewards to the employees and make a good social relationship in the company as well. Rewards is important to motivate and encourage them sharing information each other's, thus this is how company appreciated people around them( Bratianu and Orzea,2010) .

**Company 1 and company 2:** *“All daily tasks are doing in group work because ...by this way...they can help and support each others’. It is also benefited for the new employee...Where the senior can teach them, so they can help the company to train new employee. The new employee can learn by hands on too (practical). Other than that, we (company) will evaluate the employee and give reward to them based on their work performance.*

**Employee 1 and employee 2:** *“Every year, our company gave us rewards based on our performance. Our boss very encourage in sharing information culture, this is because our boss wants all employees knows every latest issues in our company”.*

## **PROBLEMS IN KNOWLEDGE TRANSFER PROCESS**

In this paper, findings from the interview (two companies) reveal that language, lack of absorption and retentive capacity and technology is a common problem in knowledge transfer process.

The language barriers scenarios among SMEs entrepreneurs will affect their competencies of doing business at international level. The used of mother tongue in transferring and sharing knowledge among peoples in the company also affected to the transfer process (Thuaibah et al., 2007; Toan, 2013; Grimsholm and Poblete, 2010).

As per statement above, both companies (company 1 and 2) were hired foreign workers in their company. Thus, the company used Bahasa Melayu and simple English to communicate with their foreign workers.

**Manager 1 and 2:** *“we use bahasa Melayu and simple English to interact with our employees. Sometimes they understand and sometimes cannot understand....so we also have to teach them by hands on. Then, they can understand ...what they have to do....I felt difficult when they do not know what I want tries to deliver...so it takes time”.*

**Employee 1:** *“... I am from Nepal...I was worked here two years. I work at packaging department and sometimes transfer to other department. I can speak simple English but not so influence in Bahasa Melayu. Sometimes, miscommunication and misunderstanding occurred between me and others...the boss annoyed me and let the supervisor explain to me...”.*

**Employee 2:** *“I am from Bangladesh (supervisor) and worked here more seven years. I can communicate in Bahasa Melayu...but not influent in English. The problem I faced when trains the new employee. They cannot understand what I want try to deliver...Maybe I used different term or my pronunciation. A few foreign employees working here and they are from Indonesia and Myanmar. So, our boss put the work flow at every department ...others can refer to it”.*

Thus, it is important to use proper words or language is a must to ensure the successful of knowledge transfer where well known that the knowledge transfer is a complicated process especially thorough verbal or tacit knowledge (Pranisha and Natalia, 2006; Toan, 2013).

Absorption and retention are necessary for the proficient transmission of knowledge transfer. It is not always successful. In many cases the transmission fails because the message is not correctly wrapped up by the receiver. It is important to consider that each individual receives

tacit knowledge frequently and from different sources. Not all this knowledge is absorbed by the receiver; only the one that the person perceives and considers useful in a determinate moment or the one that is able to utilize is absorbed. . In these cases, incomplete transferences exist due to the lack of absorption and retentive capacity of the receiver. An example included in the interview session as the findings stated above.

Information technology is recognized as an important enabler for knowledge transfer (Tsui, 2005). However, findings from the interviews show that only the management level prefer and expert to use technology (email and fax) compare to the employees at production departments. This is because; the traditional method is valued to them in transferring knowledge (Alavi and Leidner, cited in Barnes, 2002).

## **6.0 CONCLUSION**

Knowledge transfer plays an important role in assisting organizations in achieving best practices. Organizational and managerial influences in the workplace determine how employees interact with one another to share their knowledge. Additionally, an organizational culture encourages social interaction facilitates the development of a high level of trust among employees, which will consequently result in the emergence of tacit knowledge sharing.

To conclude, findings from two interviews reveal that give more emphasis on tacit knowledge transfer compare to explicit form. This is because , it is the most effective way of transferring tacit knowledge in SME companies is learning by observation, learning by example, common culture and discussion. Plus, Tacit to tacit knowledge transfer has been identified as more relevant compare to tacit to explicit conversion in the SME companies. Therefore the main drivers of the transference of knowledge in SME companies are communication, trust, experience, relationship, motivation and organizational culture of the companies. Several problems have been identified in the process of transferring knowledge. Language, Absorption and retention and technology have been recognized as major problems. As verified in this study, trust is a fundamental component and motivation is important to succeed in knowledge sharing and making them to stay in the organization. The meetings or discussions can be enabling by weekly or monthly however everyday communication must also be constant. Thus, an organizational environment where knowledge is shared and sharing may encourage employees and managers to contribute more of their knowledge and expanding it to the organization.

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