

# Knowledge Management in Micro Enterprises as One of the Key Success Factors in Business Management

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# Knowledge Management in Micro Enterprises as One of the Key Success Factors in Business Management

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**ABSTRACT:** Effective application of knowledge to micro-enterprises in order to increase their business potential was critical to the success of their business management. Micro-enterprises had a limited understanding of their knowledge. Micro-enterprises needed to take on the right knowledge management role with the right attributes to take advantage of their competitive advantage. This study used qualitative data collection techniques through observation and interviews with Micro-enterprises entrepreneurs in Nganjuk Regency. The purpose of the author of this review was to understand how knowledge management practices were carried out by business entrepreneurs in Nganjuk Regency and provided solutions to some of the existing problems. In preparing of increasingly fierce competition, micro-enterprises must be able to overcome their weaknesses by quickly innovating and developing their products through effective talent management based on knowledge management. Human resources were the most influential success factor for business people, but knowledge is the key to successful business development.

**KEYWORDS:** micro-enterprises, knowledge management

## I. INTRODUCTION

Micro-enterprises play an important role in efforts to develop the Indonesian economy. During this period of economic crisis in Indonesia, micro-enterprises are the most resilient sector of the economy. In 2021, the Indonesian economy has grown by 3.69%, surpassing production in 2020 which recorded a growth of 2.07% (Central Bureau of Statistics, 2022). Viewed from GRDP expenditure point of view, the economic growth of Nganjuk Regency recorded a decline of 1.71% in 2020. The existence of micro-enterprises makes an important contribution to the community by encouraging community economic growth. Micro-enterprises provide opportunities for unemployed,

underprivileged households and for local governments in struggle poverty which is the government's responsibility (Aufar, 2016). Viewed from the data (Central Bureau of Statistics, 2021), the number of poor people in Nganjuk Regency in March 2021 was 125,53 thousand inhabitants or 11.85%. Micro-enterprises tend to establish a short-term orientation in their business operations, as evidenced by the lack of the concept of continuous renewal and modification (Pelamonia, 2020).

The business world is transforming from a traditional production-based economy to a knowledge-based economy. Micro-enterprises should take advantage of their strengths, especially in terms of cognitive resources. Micro-enterprises are expected to allocate resources for the sustainable use of knowledge assets. Micro-enterprises encounter various obstacles, such as an incomplete understanding of marketing strategies, resources and knowledge management (Entas, 2017). However, the main obstacle faced by micro-enterprises in their production is the poor quality of their talents. In general, entrepreneurs with low education do not have the necessary skills, find it difficult to adapt to the innovation process because of the rapid development of science and technology.

Knowledge is an intangible asset that can help organizations in today's increasingly competitive environment. Science and technology are created from individual knowledge that needs to be managed, after it becomes corporate knowledge owned by the company. Current knowledge is a key factor in employee performance and business performance. In this case, training is needed to catch up with a process or activity in micro-enterprises. However, only a few micro-enterprises carry out technical and management training in their businesses. If micro-enterprises optimize existing knowledge capital and manage their knowledge, they are expected to be able to compete with the development of science and technology that

develops from time to time (Humairoh & Budi, 2019).

The steps for creating knowledge are by sharing internal knowledge, creating a concept, validating the concept, setting success standards, and disseminating knowledge to various functions and levels within an organization (Kusumawijaya & Astuti, 2012). The process of implementing knowledge management requires a number of factors such as people, technology and processes. People are the main key in implementing knowledge management and ultimately determining whether people in the organization can improve their skills and knowledge about the goals of the organization. Technology is a tool or media used by all parties to share, distribute and develop various types of information and knowledge in order to achieve a common understanding in achieving business goals. This process includes a series of stages that allow knowledge sharing and management to be used as one of the long-term success of the organization (Pranogyo, 2017).

## II. LITERATURE REVIEW

### Knowledge Management

Human resources are the most influential success factor for a business unit, and knowledge is the key to successful business development. Knowledge management is at the heart of most organizations (Pranogyo, 2017). Knowledge management in an organization's system is the collection, processing, distribution and use of knowledge in order to achieve a vision of the

organization. If an organization is able to apply knowledge management appropriately, it can encourage the creation of quality human resource talent (Trisninawati & Mellita, 2020). Organizations that will implement knowledge management in their business units must know whether knowledge belongs to people not in a system, but the system has data and information to support the knowledge process. And finally, the creation of knowledge is a social process that occurs through interpersonal correlations in daily activities. Knowledge management is strongly attached to organizational memory which is used for knowledge accumulation (Rahman Yuniarto, 2010).

### Micro-Enterprise

The operation of companies owned by MSMEs is regulated in (UUD 1945 Pasal Nomor 20 Tentang UMKM, 2008). There are several definitions and criteria: (1) Micro-enterprises are productive businesses owned by individuals or individually-owned business units. (2) Small business is an independent and productive economic business managed by a small business owned by an individual or legal entity that is not a subsidiary or branch of a medium or large company which is not directly owned, managed or a part of it. (3) A medium-sized business is an independent and productive commercial activity which is directly owned, managed, or operated by an individual or entity that is not a subsidiary or branch of a company that is part of a small business.

Enterprises Scales	Asset	Sales Results
Micro Enterprises	Maximum IDR 50 million	Maximum IDR 300 million
Small business	IDR 50 million – IDR 500 million	IDR 300 million – IDR 2.5 billion
Medium business	IDR 500 million – IDR 10 billion	IDR 2.5 billion - IDR 50 billion

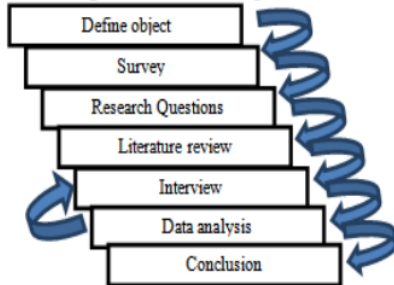
Table 1: MSME Criteria (1945 Constitution Article Number 20 concerning MSMEs, 2008)

## III. METHODOLOGY

This type of research used qualitative data collection techniques through interviews and observations. This study aimed to understand how knowledge management practices were applied by micro business entrepreneurs in Nganjuk Regency and provide solutions to some of the existing problems. Sources of data used in this study were

primary and secondary data sources. Primary data sources used by the author were provided in the form of notes and photo or video evidence from interviews with interviewees from several micro-enterprises in Nganjuk Regency. Meanwhile, secondary data sources were obtained from various literature studies. The following was the design in this study:

Figure 1: Research design



#### IV. RESULT

Data collected from a number of micro food and beverage businesses in Nganjuk Regency revealed that the financial position of their business was still not stable. On the other hand, micro-enterprises released innovative new products such as releasing new menus at relatively low prices. By doing innovations, they could increase sales, although not too significant. The knowledge that existed in micro-enterprises must always be

managed and always improved, thus micro-enterprises can improve their business integrity, made competitive changes (creating new competitive products). The followings were the problems found:

1. Making a decision was often held back
2. Only depended on certain people because of limited human resources
3. Limited capital to improve technology
4. Some knowledge changes in the organization were not well documented.

Micro-enterprises did not maintain bookkeeping because they did not have sufficient knowledge to do it and they felt the bookkeeping was inaccurate. In this case, of course, accuracy was required. This bookkeeping was important to assess and carry out an evaluation of its business in terms of profit and return on investment. Lack of advice, training and mentoring made businesses unable to control their finances. Often, they found it difficult to manage the financial position of their business due to the mix of business finances and personal finances.

#### Knowledge Management Concept

Knowledge Management Concept	Problems	Solutions
Creating knowledge	Almost 50% of micro-enterprises can realize knowledge creation through product innovation, even though they are not aware of it.	Socialization regarding innovation and exploration of creative concepts needs to be carried out continuously in the generation of knowledge that can be applied to business products.
Storing knowledge	Regarding with storing knowledge, 80% of micro-enterprises do not properly document the knowledge they get through the media, such as documenting through photos or videos.	An explanation regarding the benefits of documenting knowledge in the process of being applied and repeated while running a business, emphasizing the concept of documenting knowledge needs to be done regularly
Distributing knowledge	Almost 45% of micro-entrepreneurs do not know or are connected with other business entrepreneurs to	In this case, socialization and efforts are needed to connect other stakeholders through regular discussions

	share knowledge with each other about running their business.	
Applying knowledge	Regarding the application of knowledge, 60% of micro business entrepreneurs can apply existing knowledge and are directly involved in their business processes.	In this case, it is necessary to strengthen existing knowledge management skills.

**Knowledge Management Implementation Strategy**

Micro-enterprises must implement knowledge management strategies to enable managed businesses to progress and develop where the knowledge transfer process was unintentionally carried out by micro business entrepreneurs in Nganjuk Regency using a simple method. In this case, the business owner or someone who had knowledge or experience transfers directly to others accordance with their needs. The knowledge transfer process that has been carried out by micro business entrepreneurs had never been well documented. As a result, the transfer process is not standardized. The following is the knowledge transfer process carried out by micro business entrepreneurs in Nganjuk Regency.

- a. **Creating knowledge**, micro-entrepreneurs are experienced and can take advantage of an opportunity to innovate for the sake of their business continuity. This process is carried out by continuously observing social trends. Micro-enterprises in Nganjuk Regency for the food and beverage sector make a product recipe that is in accordance to consumers' request.
- b. **Storing knowledge**, the majority of micro-enterprises in Nganjuk Regency do not fully document their knowledge. The simple documentation process is usually done by taking recipes and photos. However, this process is not routine and continuous. This must be done when identifying and modifying to avoid the same mistakes in the good management process
- c. **Distributing knowledge**, the process carried out by micro-entrepreneurs in Nganjuk Regency is meant to hold internal meetings or joint discussions by discussing matters related to the sustainability of their business. However, this activity does not run regularly,

- which should be carried out at least once a month to see the results of his efforts. Business entrepreneurs need to maintain good relations each others, so that they can share knowledge.
- d. **Applying knowledge**, micro business entrepreneurs need guidance and support for business leadership, digital literacy and also finance for micro business entrepreneurs in the food and beverage sector. This is important for micro-enterprises to become medium-sizebusiness entrepreneurs who promote the advanced products of Nganjuk Regency.

Meanwhile, there are several indicators of the success of knowledge management as the followings:

1. The process of implementing knowledge management must be structured.
2. It is necessary to have experts in their fields so that they can direct the process of implementing knowledge management in their business.
3. After knowledge management is applied to the business, there must be a reward for the employees, so that it can stimulate the desire to increase knowledge.
4. Business owners must always support their employees.
5. Making knowledge management a new culture in the organization.
6. Provide support in the form of information technology.
7. There is a special knowledge management unit.
8. After all have been successfully applied to their business, clear measurement success must be existed.

**V. CONCLUSION**

Entrepreneurs do not fully understand the factual function of knowledge management as actually knowledge is a key to the success of

developing a business. Knowledge management is the most important part of an organization, or can be called the heart of most organizations. Micro-enterprises in Nganjuk Regency have unintentionally applied the concept of knowledge management to their business starting from creating a new idea, saving the idea, distributing the idea to other employees, to implementing it into their business. After making direct observations to several Micro-enterprises entrepreneurs in Nganjuk Regency, it was shown that they had not properly documented the knowledge they had obtained. This causes the knowledge management implementation process has not run smoothly.

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