

Knowledge Retention Strategy and Performance of Small and Medium Enterprises in Ado-Ekiti Metropolis

Ayodeji Muyideen Awolaja,¹ Olalekan Enitilo^{2*}, Olumayowa Kabir Otulana³

^{1,2}Ekiti State University, Ado Ekiti, Department of Business Administration, Olabisi

³Onabanjo University, Ago Iwoye, Ogun State, Nigeria, Department of Business Administration

Corresponding Author: enitiloolalekan@gmail.com*,
ayodeji.awolaja@eksu.edu.ng
, olumayowaotulana@yahoo.com

Article Information:

Received: April 24, 2023, Accepted: August 01, 2023, Published: 31 August 05, 2023

Abstract

The study looked at the performance of small and medium-sized businesses in Ado-Ekiti Metropolis and their knowledge retention strategy. The study took the form of a descriptive survey research design. The study's participants were 11,663 owners and managers of small and medium-sized businesses in the Ado-Ekiti Metropolitan Area. Yamane was used to collect 387 samples (1967). The study's primary data was collected via a standardised questionnaire. Regression was used to examine the data collected. The findings show that all of the explanatory factors' constructs significantly impact the performance of small and medium-sized businesses in Ado-Ekiti Metropolis.

Keywords: Knowledge Retention, SMEs, Performance

How to Cite:

Awolaja, A. M., Enitilo, O., Otulana, O. K. (2023). Knowledge Retention Strategy and Performance of Small and Medium Enterprises in Ado-Ekiti Metropolis. *International Journal of Business, Management, and Economics*, 4(3). 203 – 211. DOI: <https://doi.org/10.47747/ijbme.v4i3.1152>

1. Introduction

Knowledge is recognised as one of the elements in gaining a lasting competitive advantage over competitors in today's modern business. Organizations that are "constantly learning," adaptable, and flexible are more likely to thrive, and harnessing and exploiting human capital is an important aspect of achieving that aim. That is, knowledge retention can be utilised to gather, distribute, apply, exploit, and possibly develop knowledge before people leave the

Published by:

company, or to quickly onboard new employees. Organizations that prioritise knowledge retention efforts are more likely to achieve a competitive edge (Liebowitz, 2011). Knowledge retention has a lot of potential for firms in terms of lowering turnover costs and, perhaps most importantly, maintaining corporate performance (manpower Inc., 2010). As a result, today's SMEs are more concerned with knowledge retention as a critical aspect in enhancing their efficiency and competitiveness, as they are typically more prone to losing key individuals than larger businesses.

Knowledge retention refers to the process of storing information in an organisation so that it can be utilised later. Knowledge retention, according to Walsh and Ungson (1991), is critical to the growth and development of all businesses (Foray, 2004; Mosconi & Roy, 2013). As a result of globalisation, knowledge retention has evolved into an intangible resource that generates long-term economic advantage (Ikujiro & Hiroshi, 2013; Tunc & Bozbura, 2007). In order to boost market involvement and, as a result, improve performance, small and medium-sized businesses (SMEs) must collect knowledge from both domestic and foreign sources.

Performance is a recurring subject in most management fields, according to Lia (2009), and it interests academics and practical managers. Performance is one of the most researched structures in management research, and it may be the most essential factor in deciding whether or not a small organisation will prosper (Cho, 2001). To determine company performance, Gholami, Asli, Nazari-Shirkouhi, and Noruzy (2013) evaluated metrics such as return on assets, sales growth, new product success, market share, and overall customer pleasure (Ellinger, Daugherty & Keller, 2000).

2. Literature Review

2.1 Knowledge Retention

According to Kirsch (2008), knowledge retention requires focusing on critical knowledge at risk of loss, prioritising what is at risk based on likely knowledge gaps and their impact on overall organisational performance, and then putting specific steps in place to protect that knowledge. Getting ahead of any potential knowledge retention difficulty, rather than waiting until organisational knowledge "walks out the door," is one of the most difficult challenges for any organisation (or is going toward the door, as in conventional "exit interview" efforts to retain knowledge). The knowledge-harvesting efforts of the organisation should be centred on acquiring as much information as possible about its projects and procedures, including tacit knowledge that is often not documented.

One of the main reasons for executing knowledge retention is to increase the organization's institutional memory. Employees can learn from prior successes and failures in this way, ensuring beneficial outcomes. Learning from others might help you avoid making the same mistakes or reinventing the wheel (Liebowitz, 2009). Knowledge management is incomplete without knowledge retention. According to Daniel Alpert of the University of Oklahoma, knowledge retention solutions boost creativity, organisational growth, efficiency, employee development, and competitive advantage (Liebowitz, 2009).

Alignment with company goals, transparency, feasibility, and adaptability are the four fundamental elements of a knowledge retention plan. The degree to which a knowledge retention plan supports a company strategy is referred to as alignment with business strategy. Transparency refers to the degree to which the ambitions, goals, and action plans for the knowledge retention process are expressed explicitly. Feasibility refers to the degree of success

in implementing knowledge retention programmes depending on present resources and organisational culture. Flexibility refers to the ability of a knowledge retention strategy to evolve as the business environment changes.

As a result of a better understanding of the importance of knowledge to an organization's performance and survival, knowledge management has become more important. The two main categories of knowledge are tacit and explicit knowledge. Tacit knowledge is a tough-to-understand cognitive process that is difficult to document. It's instilled in the form of abilities, skills, and concepts that people carry about with them (Davenport & Prusak, 2000). It can only be passed on in the form of experiences, practise, sentiments, and attitudes through interactions with other employees. Explicit knowledge, on the other hand, is information that can be easily expressed, codified, transferred, and communicated with others via manuals, fact sheets, pictures, charts, and diagrams (Price, Stoica & Boncella, 2013). As a result, knowledge management has been defined as the explicit and methodical management of vital knowledge and the processes of generation, organisation, diffusion, use, and exploitation linked with it (Skyrme, 2001). Knowledge generation, information technology, and knowledge organisation are all resources that contribute to an organization's knowledge capabilities. These resources, when considered together, determine knowledge management competency, which has been connected to organisational performance (Al-Qarioti, 2015).

2.2 Small and Medium Enterprises (SMEs) Performance

Small and medium businesses (SME) are non-subsidary commercial operations with a fixed number of employees, which varies by country. For SMEs, there is no commonly agreed definition (Beyene, 2002; Verdolin et al., 2018). Many classifications, like small and medium, take size into account, as the name implies. Others consider the number of employees and the value of the company's assets. Furthermore, different groups have presented other definitions based on their interest in this topic. Government agencies, non-profit organisations, international organisations, consulting firms, researchers, chambers of commerce, and other SMEs service providers all have their own classifications based on their own criteria (Dasanayaka, 2008; Jain & Gandhi, 2016). For example, a business entity or activity that involves industrial activities and services, whether as a solo proprietorship, a partnership, or a corporate endeavour, has been extensively defined as an enterprise.

According to Acs, Audretsch, Lehmann, and Licht (2016) and Dasanayaka and Sardana (2016), SMEs engage in a variety of business activities ranging from agriculture, such as fishing, animal husbandry, or manufacturing, to mining, urban and estate settings, construction, serving the business eco-system, retail, wholesale, and services in rural environments (2007). SMEs are growing and active in various sectors, according to Fayomi, Fields, Arogundade, Awotunde, Ijamusan, and Onileowo (2019). Agricultural input or output businesses in rural areas, manufacturing sectors such as computer sales and hardware repairs, local and international commercial construction, chemical, garment, machinery, and food and beverage enterprises in cities are among these industries. In both emerging and developed countries, the number of SMEs includes one-man businesses or small groups of entrepreneurs, family businesses, relatives/friends, or business partners who make business decisions in one way or another.

In several fields, the concept of performance is widely employed. Typically, performance refers to how well a mechanism or a process achieves its goal. Performance is said to be a multifaceted and complex entity that may be quantified using a variety of metrics (Stam, Souren, & Elfring,

2013). From an organisational standpoint, performance refers to how successfully a company is run and the value it provides to consumers and other stakeholders (Wu & Zhao, 2009). It is undeniable that improving organisational performance is a primary goal of both entrepreneurship and strategic management theory and research (Mthanti, 2012). According to Alchain and Demsetz (1972), "firm performance" and "firm success" are interchangeable terms. Performance refers to the comparison of the value provided by a firm with the value expected by the starter. Existing literature on business performance focuses on two varying dimensions, according to March and Sutton (1997). Firm performance indicates effective outcome (Flapper, 1996). The first line of research focuses on finding ways to increase the company's performance, while the second examines various influencing elements on the company's success (Herath & Mahmood, 2014).

2.3 Theoretical Framework

Competence-based theory is a specialised method of operating a business. A business, according to this perspective, is an open system that interacts with the environment to gather resources and improve outcomes. According to this theory, a firm's capacity is built on core capabilities that can't be acquired by competitors and generate higher revenues, which serve as the firm's success basis (Prescott, 2011). The expansion of new technology, products, markets, and competitors constantly test a firm's competitive position in today's dynamic business climate. In the pursuit of long-term competitive advantage, however, flexibility and adaptability have emerged as fundamental management concepts (Whetton, 2011). Competence-based theory offers the framework for a company's competitiveness and sales to coincide with customers' views, resulting in better overall market performance (Lovelock, 2011). As a result, this idea corresponds to a company's ability to analyse a changing business environment and devise survival strategies.

3. Methodology

For this study, a survey research design was used. According to NBS, the study is focused on 11,663 SMEs in Ado Ekiti (2013). A total of 387 SMEs were chosen using Yamane's (1967) sample determination approach as follows:

N = Total Population, e = Significant (Error Margin), and 1 = Constant, where N = Total Population, e = Significant (Error Margin), and 1 = Constant. A 5 per cent (0.05) significant error was used. As a result, a questionnaire was used as a research tool to gather information from SME owners.

$$n = \frac{N}{1 + N(e)^2} \quad 3.1 \quad n = \frac{N}{1 + N(e)^2} \quad 3.1 \quad n = \frac{N}{1 + N(e)^2}$$

Where n denotes the expected total sample size, N is the population size, and e denotes the tolerable error term (0.05)

As a result, the total sample size was calculated as follows:

$$n = \frac{1204}{1 + 1204(0.05)^2}$$

$$n = 305$$

4. Results and Discussion

The total sample size for this study was 387 respondents, with 305 questionnaires returned, accounting for 78.8% of the total questionnaires sent out. The responses have been analysed in the following sections.

Table 1: Demographic Distribution of Respondents

	Frequency	Per cent
Age Distribution		
30-39years	84	26.5
40-49 Years	98	30.9
50-59 Years	58	20.7
60- 69 Years	40	15.5
70 Years and Above	25	6.4
Total	305	100.0
Gender Distribution		
Male	198	56
Female	107	44
Total	305	100.0
Marital Status		
Single	50	20.1
Married	135	40.4
Divorced	74	24.3
Widow	46	15.2
Total	305	100.0
Education Qualification		
Not Attended	10	2.3
Primary School	30	5.8
Secondary School	45	10.1
Diploma/ NCE	60	18.5
Degree /HND	95	36.2
Postgraduate Degree	65	27.1
Total	305	100.0
Business Type		
Ownership/Proprietor	51	18.1
Manager	198	64.4
Both (Owner and Manager)	32	3.0
Not specified	24	14.5
Total	305	100.0
Years of Operation		
Less than 5 years	190	51.3
5-10 Years	80	26.1
11-15 Years	20	14.0
16-20 Years	15	9.5
20 Years and Above	305	100
Total		

Source: Field Survey, 2021

Published by:

The age distribution of respondents showed that eighty-four (26.5%) of the respondents are between the ages of 30-39 years, ninety-eight are between 40-49 years, thirty (30.9%) are between 50-59 years while forty (15.5%) are 70 years old and above. This implies that the ages between 30-39 years more in the categories of the students that fill the questionnaire. The gender distribution of the respondents showed that one hundred and ninety-eight (56%) are male students while one hundred and seven (44%) are female students. This suggests that male is more involved in Small and Medium work. The marital distribution of respondent showed that single are fifty (20.1%), Married are one hundred and thirty-five (40.4%), Divorced are seventy-four (24.3%) while Widows are forty (15.2%) of the respondents which means married respondents turn up in filling the research questions. Education qualification of the respondents showed that ten (2.3%) did not have any education background thirty (5.8%) are Primary school certificate holder, forty-five (10.1%) are secondary school holder, Diploma/ NCE are sixty (18.5%), Degree/ HND certificate holder ninety-five (36.2%) while the postgraduate degree holder are sixty-five (27.1%). This implies that the respondents have the necessary quality and experience that qualify them for the job.

Discussion of Findings

Knowledge retention strategy has no significant effect on the performance of small and medium enterprises in Ado-Ekiti.

Table 2 Estimated Effect of Knowledge Retention Strategies and SMEs Performance

Variables	Co-eff.	Std. Error	t-value	p-value
Constant	38.859	2.445	15.896	0.000
Transparency	2.137	0.643	3.327	0.001
Feasibility	4.083	1.276	3.199	0.002
Flexibility	6.638	0.776	8.557	0.000
R	0.517			
R Square	0.267			
Adj. R Squared	0.257			
F-Stat.	27.804 (.000)			

Dependent variable: Performance of SMEs

The respondents' ratings on three variables of knowledge retention (transparency, feasibility, and flexibility) on SME performance were calculated and subjected to multiple regression analysis to evaluate this hypothesis. Table 2 shows that the R (Regression Coefficient) is 0.517, indicating that knowledge retention has a considerable and favourable impact on SMEs' performance. The R² is the percentage of total variance in the dependent variable that the independent variables can explain. The corrected R², which measures the model's goodness of fit, is 0.257, suggesting that after all errors and corrections, the model can only account for 25.7 percent of the variance in knowledge retention, with the remaining 74.3 percent explained by the data.

With $t = 3.327$ and $(p = 0.00 < 0.05)$, the unstandardized beta co-efficient of transparency is 2.133. Transparency has an impact on the success of small and medium-sized firms, according to these studies. We accept the alternative hypothesis and reject the null hypothesis since the difference is significant. This suggests that respondents' reasons for small and medium-sized

business success are heavily influenced by knowledge retention. This implies that information transparency has an impact on the performance of small and medium businesses.

With $t = 3.199$ and $(p = 0.002 < 0.05)$, the unstandardized beta co-efficient of feasibility is 4.083. These findings revealed that feasibility has a positive relationship with small and medium-sized business performance. We accept the alternate hypothesis and reject the null hypothesis because it was found to be significant.

With $t = 8.557$ and $(p = 0.000 < 0.05)$, the unstandardized beta co-efficient of flexibility is 6.638. These findings revealed that flexibility has a bigger impact on the performance of small and medium-sized businesses. We accept alternative hypothesis and reject null hypothesis since it is substantial. This suggests that respondents' reasons for small and medium-sized business success are heavily influenced by flexibility. Table 2 shows how the F-test is used to determine the overall significance of the study hypothesis. The F-statistic distribution computed value is greater than the F-tabulated value, as seen in the table. As a result, the alternative hypothesis is accepted whereas the null hypothesis is rejected. This suggests that knowledge retention will have a significant impact on the success of small and medium businesses in Ado-Ekiti. The findings of the study were consistent and supported by previous studies.

The multiple regression of the model is shown below as:

$$(P = 38.859 + 2.137TP + 4.083FS + 6.638FX)$$

(Where TP = Transparency; FS = Feasibility, FX = Flexibility, SP = SMEs Performance).

5. Conclusion

Based on the findings of this study, the entire knowledge retention strategy (transparency, feasibility and flexibility) were positive and found significant while flexibility affect small and medium enterprise performance most as revealed by the findings. Therefore, the study accepts the alternate hypothesis and rejects otherwise thus concluded that knowledge retention attributes are significantly and positively related to small and medium enterprise performance in Ado-Ekiti.

According to the findings, small and medium-sized business owners and managers should participate in developmental programmes that will help them contribute to human development and increase their expertise. Properly adopting knowledge retention strategy will help enhance employee's skills, innovativeness and creativity towards achieving better or higher performance.

Reference

- Acs, Z. J., Auretsch, D. B., Lehmann, E. E. & Licht, G. (2016). National System of Entrepreneurship, *Small Business Economics*, 46(4), 527-535.
- Agwu, M.O. & EmetiIssues, C.I. (2014). Challenges and Prospects of Small and Medium Scale Enterprises (SMEs) in Port-Harcourt City, Nigeria. *European Journal of Sustainable Development*, 3(1), 101-114.
- Alchian, A.A., & Demsetz, .H. (1972). Production, information costs, and economic organization. *The American Economic Review*, &&&-795.

- Alese, O.J. (2017). Strategic management and the development of small and medium enterprises in south-west, Nigeria. An *unpublished PhD Thesis* of Olabisi Onabanjo University, Ogun State, Nigeria.
- Abor, J. & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *Research Journal of Finance and Economics*, 39(6), 215-228. Ghana. International Research Journal of Finance and Economics.
- Beyene, A. (2002). Enhancing competitiveness of productivity in small and medium enterprises. *Business Strategy*, 6, 67-75.
- Cox, E., Murray, C. & Round, A. (2017). *Forgotten Opportunities*, Institute for Public Policy Research, 2017.
- Dasanayaka, S. (2008). Small and medium enterprises in the Pacific Rim: The case of Sri Lanka SMEs. *Small Business Journal*, 4(2), 16-22.
- Dasanayaka, S. & Sardana, G. (2007). The SMEs in India and Pakistan. *Productivity Journal*, 3(48), 235-250.
- Eniola, A. A. & Entebang, H. (2014). SME firm's performance in Nigeria: Competitive advantage and its impact. *International Journal of Research Studies in Management*, 3(2), 75-86.
- Edward, N.W. (2012). *The Asset price meltdown & wealth of the middle class*. Retrieved from http://www.ecineq.org/ecineq_bari13/filesxbari13/cr2/p17.pdf.
- Fayomi, E.J., Fields, Z., Arogundade, K.K., Awotunde, O.M., Ijamusan, O.C., & Onileowo, T.T. (2019). Owners' Characteristics and Succession Practice among Small and Medium Size Manufacturing Enterprises in Ekiti State, Nigeria. *Journal of Economics and Behavioural Studies*, 11(3), 84-96.
- Jain, M. K. & Gandhi, S. K. (2016). Defining Indian SMEs: A critical analysis. *International Journal of Arts, Humanities and Management Studies*, 2(6), 2395-0692.
- Mthanti, T. (2012). The impact of effectuation on the performance of South African medium and high technology firms. Unpublished PhD Thesis. University of Witwatersrand. And management, 1(1), 18-22.
- Stam, W., Souren, A., & Elfring, T. (2013). Social capital of entrepreneurs and small firm performance: A meta-analysis of contextual and methodological moderators. *Journal of Business Venturing*, 4(3), 4-22.
- Verdolini, E., Bak, C., Ruet, J. & Venkatachalam, A. (2018). Innovative green-technology SNEs as an opportunity to promote financial de-risking.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>)

Published by:

