Challenges and Trends of Knowledge Management in SME Enterprises in the Context of CSR

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Abstract: Knowledge management, especially in the context of CSR, is still a new and challenging topic for Polish enterprises from the SME sector. However, the opportunities offered by the effective implementation of this process for organisations, as well as the global trend of its realisation, signal that it is worth conducting research into this phenomenon. The research objective of the article is to analyse knowledge management in the context of CSR in companies operating on the Polish market in the SME sector. The research was conducted in 2022, using the CATI method among 600 randomly selected companies from the SME sector operating on the Polish market. Moreover, the article presents the experience of companies - leaders of responsible business, giving practical examples of actions and tools supporting knowledge management. The results of the research show, among others, that: enterprises applying CSR have more or less developed their own systems of responsible business knowledge management, however, these are often unconscious processes. Enterprises do not use (at all or insufficiently) all available resources and tools for managing CSR knowledge. Those knowledge management tools that are applied in companies are most often not verified for their effectiveness. Almost half of the surveyed companies use experiential learning (participation in specific projects) as an element of educating employees about CSR, thus not limiting themselves to education with the use of “hard” resources only. The majority of companies do not verify or evaluate in any way the knowledge of employees on CSR. Company boards are minimally involved in the process of managing CSR knowledge in the organisation. The main area of benefit from knowledge management in the context of CSR is the relationship with employees, which improves thanks to their greater involvement, loyalty and identification with the company's mission and vision. This translates into improvements in processes and activities and more effective implementation of the CSR strategy. Also important is the image aspect and a chance for greater competitiveness, built on high competences of the team. Knowledge management in the context of CSR cannot be limited solely to descriptive knowledge (knowledge describing phenomena). Implementation of a knowledge management system is undoubtedly a challenge for companies and their managers. The use of CSR concepts in knowledge management is a current trend in the development of the SME sector.

Keywords: knowledge management KM, SME, CSR

1. Introduction to the essence of socially responsible management (CSR) in SMEs

The idea of social responsibility concerning voluntary actions to protect the environment and social aspects in the activities of enterprises gained popularity in the 1990s (Kulczycka, Wirth, 2010). The concept of social responsibility of an organisation is a multi-faceted notion, which is why one can come across many definitions of this concept (Arouri, Pijourlet, 2017). Corporate social responsibility is an issue increasingly taken up by theoreticians and practitioners of socio-economic life (Tylec, 2017). In the literature, one can encounter opinions that today, from the point of view of management, CSR is the relationship with employees, which improves thanks to their greater involvement, loyalty and identification with the company's mission and vision. This translates into improvements in processes and activities and more effective implementation of the CSR strategy. Also important is the image aspect and a chance for greater competitiveness, built on high competences of the team. Knowledge management in the context of CSR cannot be limited solely to descriptive knowledge (knowledge describing phenomena). Implementation of a knowledge management system is undoubtedly a challenge for companies and their managers. The use of CSR concepts in knowledge management is a current trend in the development of the SME sector.

According to Bowen's concept, CSR is a businessman’s commitment to make policies, decisions and follow such lines of action that will be desirable as goals and values of our society (Bowen, 1953). It is worth noting that the concept referred to the activities of the entrepreneur, while today CSR is mainly associated with the activities of organisations. Nowadays, corporate social responsibility can be understood as including pro-social and pro-environmental aspects by an economic organisation in its business activities. Responsible practices include observing ethical standards in relations with employees, competitors and contractors, increased investment in human resources, activities for the development of the local community or environmental protection, i.e. voluntary involvement (Białasiewicz, Marek 2011). R.W. Griffin and R.J. Ebert present a model of organisation’s responsibility based on activities directed at stakeholders. The main areas of CSR that should be taken into account by an enterprise include (Griffin, Ebert, 2013): environment, customers, employees, investors. In the English-language literature, one can encounter the concept of CSR, which refers to the treatment of stakeholders in an ethical and responsible manner. Ethical and responsible is understood here as a way of behaviour acceptable in a civilised society.
One of the main objectives of CSR is to create higher standards of living while maintaining the profitability of doing business. A higher standard of living concerns both the people employed by the company and those directly associated with it, as well as the local community. A definition of CSR was also proposed by the European Union in a communication presented by the European Commission "A renewed EU strategy 2011-2014 for Corporate Social Responsibility". This strategy complements the document "Europe 2020 - A strategy for smart, sustainable and inclusive growth" with information on the direction of EU policy with regard to CSR. According to this document, CSR is defined as the responsibility of enterprises for their society. A prerequisite for CSR is respect for legislation and collective agreements between social partners (Caroll 2008). In order to effectively implement the CSR concept, business entities should have a mechanism to integrate social, environmental, ethical as well as consumer concerns into their operations and strategy, in close cooperation with stakeholders (Hopkins, 2007). It is worth mentioning that in an earlier definition of CSR, the European Commission presented the concept as a voluntary commitment that goes beyond legal requirements. Among the numerous benefits of CSR presented in the literature - indirectly indicating the necessity of including it in the enterprise strategy are mentioned, among others (Fiedor, 2016), (Kowalska, 2014):

- balancing corporate strength with corporate responsibility,
- better relations with stakeholders,
- shaping image: improving reputation and increasing company value
- environmental protection, rational use of natural resources,
- reduction of pollution,
- preventing or mitigating possible disputes between the company and the local environment,
- correcting social problems generated by business,
- increase in employee engagement and motivation, productivity,
- decrease in absenteeism and staff turnover, attracting and retaining the best employees
- employees,
- encourage long-term profitability (e.g., through reduced fees)
- related to environmental pollution),
- improve image and reputation, relations with the community and local authorities,
- increase in customer loyalty, company culture,
- increase in innovation, investors' interest, competitiveness of economic efficiency.

The successful implementation of the CSR concept in SMEs depends on many different factors, which are internal and external. External factors are related to the enterprise’s environment, while internal factors are shaped by management. The most important external factors include: the region in which the enterprise operates, the impact of external stakeholders, the functioning of non-governmental, industry and cultural organisations, and the economic situation of the country. On the other hand, the most important internal factors include: the size of the company, the object of activity, the period and scope of activity, the organizational and legal form, the financial situation, family ownership (Sokołowska, 2013).

Business management should be systemic, flexible and open to the changing environment, adapted to it and, where possible, shaped to achieve the organisation’s goals. An important management challenge that has gained renewed importance is corporate social responsibility (Kazmierczak, 2017). Social impact and social responsibility need to be managed (Drucker 1976). This is a new direction of change in the strategic management of organisations (Lisiecka, 2015). In the context of considering socially responsible management, an important problem concerns the qualification of CSR issues to a theory, concept or method of management. The literature on the subject does not offer unambiguous solutions in this respect. Most often, CSR is considered a concept of management. Current research on socially responsible management concerns the implementation, maintenance and improvement of this concept. The characteristics of the SME sector determine the scope and style of socially responsible management in SMEs. The variety of expressions contained in CSR definitions causes that enterprises from the SME sector, often fail to understand what role the concept should play in their operations, and what benefits they may derive from its application. CSR should constitute a comprehensive approach to the organisation's management, and cover: identification of main areas and socially responsible entities, planning, organising, shaping, controlling, and influencing the organisation’s activity on the external and internal environment. CSR can be implemented using a variety of tools and measures depending on the needs and size of the enterprise. Socially responsible management in an enterprise also depends on many external factors concerning the environment, and internal factors concerning the specific functioning. Socially responsible management requires that the organisational culture, apart from economic values, should also
Knowledge management in a conscious and properly designed way may increase the effectiveness of business activities and some specific knowledge resources, which are necessary for effective business operations. Knowledge management system remains rare in Polish organisations. However, each of them uses some implemented solutions in a given organisation include: the size of employment, financial capabilities, area of operation, changeability of the environment.

Knowledge management in an SME must, taking into account the scale, cover such areas as the IT system, organisational culture and employee management. The conditions determining the scale of knowledge management system in the context of CSR

In the most general manner, knowledge management is defined as a management method, the basic aim of which is the unconventional development of competitive advantage (Glabiszewski, Sudolska, 2009) by contemporary operating enterprises, including non-profit organisations (Perechuda, 2005). The great supporters of the knowledge management concept are T.H. Davenport and S.C. Völpel, who pointed out, however, that knowledge management primarily plays an important role in improving methods of creating new knowledge, and then in its proper dissemination and use (Davenport, Völpel, 2001). Another definition of knowledge management is proposed by P. Murray and A. Myers, who presented it as a sum of processes enabling the creation, dissemination and use of knowledge, in order to achieve the goals set by the organisation (Strojny, 2000). Knowledge management was also characterised by D.J. Skyrme, who described it as a precise and systematic management of knowledge resources and the related processes of creating, collecting, disseminating and using knowledge to ensure the organisation’s proper functioning (Skyrme, 1999). The above-mentioned definitions of knowledge management have common elements that make it possible to identify some basic features that all the previously presented definitions have. These include mainly: the need to create, store and later transfer knowledge in order for the enterprise to function properly and support it in achieving its strategic goals (Sudolska, 2006). The implementation of the assumed knowledge management system first requires the creation of appropriate conditions within the organisation that will contribute to the fact that knowledge resources can be created, collected and made available to all units that need them. Only when these conditions are provided can knowledge management systems be implemented (Skrzypek, 2002). Providing the right conditions to support the implementation of such a system into an organisation depends largely on a number of factors, among which the following stand out: adequate resources, the right management system and organisational structure (Liczmańska-Kopcewicz, 2017), appropriate organisational culture and communication, and a properly designed organisational strategy. However, knowledge management is still a young concept and not widely used by organisations. For this reason, knowledge is still a resource that, when properly used, can contribute to a given company’s competitive advantage in the market (Centobelli, Cerchione, Esposito, 2017).

Knowledge in small and medium-sized enterprises cannot be created according to the same procedures as in large organisations, which results from the small potential in terms of human resources, capital, technology and development. The knowledge management system should prevent the loss of knowledge possessed by the organisation, but should also create knowledge within the existing resources. This system must be an attempt at a holistic approach to organisational phenomena and processes. In each organisation, the area of key competences will be different, which is connected with diversity in selecting elements of the knowledge management system. Knowledge processes can be a source of knowledge acquisition (in the resource sense).

Knowledge (in the resource sense) can be the basis for launching knowledge processes. In an organisation, the main sources of knowledge are: generation of own knowledge on the basis of employees’ cognitive activity or adaptation of knowledge incorporated from outside. There are many definitions and components of a knowledge management system in the literature. The concept of a knowledge management system should be understood as processes consisting of the creation and acquisition of formal knowledge, as well as tacit knowledge, its subsequent codification, collection, protection and transfer, and the building of a knowledge-based and value-creating organisation, using information technology and a system of metrics. The management of an organisation must independently create a knowledge management system in its organisation, adapted to the specifics of the enterprise and its human and financial capabilities. An attempt to comprehensively implement knowledge management in an SME must, taking into account the scale, cover such areas as the IT system, organisational culture and employee management. The conditions determining the scale of implemented solutions in a given organisation include: the size of employment, financial capabilities, area of operation, changeability of the environment.

Planned and strategic knowledge management remains rare in Polish organisations. However, each of them uses some specific knowledge resources, which are necessary for effective business operations. Knowledge management in a conscious and properly designed way may increase the effectiveness of business activities and
strengthen the competitive position of an enterprise. Companies that have made the principles of sustainable development an element of their strategy can use knowledge management also in this context. There are many definitions of knowledge management, but in a nutshell it can be said to be the ability to transform information and intellectual assets into value for customers and employees. In even simpler terms, knowledge management can be defined as ensuring that stakeholders have the right information at the right time and in the right form so that they can increase their effectiveness and the performance of the organisation as a whole (Preuss, Cordoba-Pachon, 2009). By knowledge is meant not only information and data, but also intellectual capital, which consists of:

- knowledge,
- experience
- technology
- customer relationships (relational capital),
- skills.

The main "carrier" of intellectual capital is therefore the company’s employees, who in a knowledge-based economy become the organisation’s most important resource. However, while knowledge, technology and skills are relatively easy to identify and verify, the category of experience is more elusive. The knowledge that employees have gained from their various work experiences may remain unconscious (so-called tacit or hidden knowledge) - the task of knowledge management will be to "extract" it and reformulate it in such a way that the whole organisation can benefit from it. In the approach to knowledge management in practice, we can distinguish two streams: dynamic and static.

**Table 1: Static and dynamic approaches to knowledge management**

<table>
<thead>
<tr>
<th>Area</th>
<th>Static approach</th>
<th>Dynamic approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure of the organisation</td>
<td>Closed, hierarchical</td>
<td>Team-based</td>
</tr>
<tr>
<td>Type of knowledge being developed</td>
<td>Open knowledge</td>
<td>Explicit and tacit knowledge</td>
</tr>
<tr>
<td>Resources</td>
<td>Electronic (documents and data sets)</td>
<td>People</td>
</tr>
<tr>
<td>Objectives of KM</td>
<td>Strengthening business performance</td>
<td>Development of experience, dialogue and innovation (→ results)</td>
</tr>
<tr>
<td>KM activities</td>
<td>Acquisition, storage and distribution of knowledge</td>
<td>Continuous interaction and development enhanced through dialogue</td>
</tr>
<tr>
<td>Role of the company</td>
<td>Protecting knowledge from imitation → protecting Competitive advantage</td>
<td>Effective integration and application of knowledge and development of employees</td>
</tr>
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</table>

Static is used in organisations which, from the point of view of modern business, we would define as an outdated model: strongly hierarchical and not very innovative. Dynamic is used in organisations with a more modern business model, focused on process, interaction and innovation. Knowledge management in the context of CSR can help strengthen a company’s performance in this field. Employees need information to perform their tasks taking into account sustainability criteria and the strategy adopted by the company, among others:

- information on what corporate social responsibility is, why the company pursues a CSR strategy, and how this translates into company performance,
- precise information on the company’s CSR strategy and implementation plan,
- information on tasks of given department in CSR strategy implementation plan,
- information on key stakeholders of the company and the given position,
- data needed in the process of social reporting.

3. Research on knowledge management in SMEs in the context of CSR

A comprehensive qualitative and descriptive study was conducted in 2022 using a survey method based on an interview questionnaire and the data obtained was analysed using statistical methods. The aim of the survey was to analyse the application of CSR principles in the operating strategy of the surveyed enterprises, how SMEs manage knowledge in the context of CSR in the sector of micro, small and medium enterprises in Poland. The study addressed, among others, the following issues:

- identification of resources used to manage knowledge about responsible business in SMEs
- identification of tools used by SMEs to diffuse CSR knowledge within the organisation
• identification of ways to include CSR issues in organizational culture
• identify the role of management, owners in managing CSR knowledge
• identify ways to take care of intellectual capital development in the context of CSR
• identification of methods to measure effectiveness of above mentioned activities by SMEs.

Interviews were conducted with owners, co-owners and persons responsible for management in the segment of SME companies in Poland, from various industries. 600 randomly selected companies from the SME sector operating in the Polish market, which 40% were micro-entreprises employing up to 9 people, 30% small entrepreneurs employing up to 49 people, and 30% medium-sized entrepreneurs employing up to 249 people. The structure of the survey was weighted to the structure of companies in Poland according to the regon database operator (Central Statistical Office). The research sample prepared in this way enables the analysis of data at the level of the entire SME population in Poland. The survey has been carried out using the CATI (Computer Assisted Telephone Interview) method in 2022. It is one of the methods of collecting information in quantitative research. The CATI survey was conducted using a special program that assisted the person calling the respondent throughout the conversation. The main advantages of a CATI survey include:

• wide applicability
• saving survey results in one place, in an electronic form,
• ease of conducting an interview - based on ready-made question templates, set order,
• easy and quick entering of answers into the system by the interviewer,
• reduction of survey costs in comparison to traditional telephone surveys which were not supported by computer software,
• possibility to analyse the results at each stage of the survey, not only after its completion.

The interview questionnaire consisted of a core part (relevant questions) and a metric (classification questions). The main part of the questionnaire aimed to obtain information on knowledge management in the context of CSR. The questionnaire included information about the surveyed enterprises: number of employees, income, balance sheet total, legal form, type of activity according to PKD, period of operation, official position of the person completing the questionnaire.

The surveyed companies gave answers to particular groups of factors according to the following scale 1 - unimportant factor, 2 - unimportant factor, 3- moderately important factor, 4 - rather important factor, 5 - very important factor. After receiving the results, the points were added up and the share in the total number of points possible was quantified (number of interviews received x 5).

**Figure 1:** Does the company apply the principles of the CSR concept in its activities?

89% of medium enterprises apply the CSR principles in their activities, unfortunately in the micro group only 16% of the assessed entities apply any principles of the CSR concept. The larger the enterprise, the more it implements the CSR concept principles.
The main source of knowledge on CSR among the surveyed entities is the Internet (83% for medium enterprises, 24% for small, 14% for micro). More than half of medium-sized entities (66% of the surveyed) indicate participation in conferences as the source of knowledge on CSR. 36% of the surveyed medium-sized enterprises indicated another as a source of knowledge, which included unmentioned items, among others: company materials, sent e-mail, databases.

A big problem among SMEs is the low activity of managing persons in the aspect of encouraging employees to learn and develop knowledge related to CSR (6% in the group of small enterprises, 3% in the group of micro enterprises, 42% in the group of medium enterprises). It may also result from low awareness of the management staff, especially in the category of micro and small enterprises.
Considering the tools for educating employees in CSR, one should pay attention to the large disproportion between micro, small, and medium enterprises. Various tools practically do not function in the first mentioned category. The group of medium enterprises is dominated by the intranet, participation in projects, conferences as tools for educating employees in CSR. 27% of the surveyed medium-sized enterprises indicated the item another not previously mentioned as a tool to educate employees on CSR.

Figure 5: Does the company in any way test the effectiveness of tools to educate employees on CSR?

A big problem among the surveyed group of SME enterprises is the lack of research on effectiveness of tools for educating employees. Only 8% of the surveyed entities from the group of medium-sized enterprises indicated that they conduct research on the effectiveness of tools for educating employees.
Only 21% of medium enterprises, 4% of small, 2% of micro companies verify in any way the knowledge of their employees regarding CSR. The results of the survey show that enterprises applying CSR have more or less developed their own systems of responsible business knowledge management, however these processes are often unconscious and concern mainly larger companies. Enterprises do not use (at all or insufficiently) all available CSR knowledge management resources and tools. The knowledge management tools that are applied in companies are most often not verified in terms of their effectiveness. Almost half of the surveyed medium-sized enterprises use experiential learning (participation in specific projects) as an element of educating employees on CSR, thus not limiting themselves to education with the use of "hard" resources only. The majority of companies do not verify or evaluate in any way the knowledge of employees regarding CSR. Decision-makers (management boards, owners) are minimally involved in the process of managing CSR knowledge in the organisation. Therefore, there is a huge scope for development of this area among enterprises from the SME sector applying the principles of Corporate Social Responsibility. The implementation of the strategy of responsible business and sustainable development has a chance to succeed when it is supported by the management board and persons in managerial positions, and finds general acceptance among the company’s employees. Therefore, processes and tools of multidimensional knowledge management in the context of CSR, should be elements of the strategic implementation of vision and mission in companies, and accompany in a continuous way other key processes such as internal communication or human resources management. The experience of companies shows that comprehensive knowledge management in the context of CSR has a chance to be a tool for building understanding for this concept, engaging in its implementation and increasing the effectiveness of activities. In large enterprises, e.g. at Microsoft, knowledge management within Microsoft is aimed at strengthening employees’ awareness of CSR, understanding and identification with the company's strategy, objectives and mission of social responsibility, as well as strengthening employees’ personal involvement in work for the benefit of local communities. An example of a project in which Microsoft is using the potential of CSR knowledge management is employee volunteering. Thanks to the application of this process, already at the stage of creating internal documents regulating the functioning of the programme, employees were able to co-decide on their shape. Thus, it was possible to transform the company's hidden social capital into formal knowledge in the form of rules and regulations of the employee volunteering programme. New employees are subject to an induction process, the so-called "New Hire", which includes a presentation on Microsoft's CSR strategy and its practical implementation. Employees receive updates on CSR activities in a monthly newsletter, as well as in the form of slides on screens in company buildings. The topic of social responsibility is also addressed at monthly meetings with the CEO. Communication tools for individual projects, such as employee volunteering, are also used. PwC, in turn, manages CSR knowledge not only by collecting it, but also by developing it through employee interaction processes. In addition to the "Gateway" knowledge repository or external subscriptions, there is also the "Profile" system, which contains information about employees' professional experiences, and the "Spark" portal, which aims to stimulate innovation based on employee engagement and ideas. CSR reporting is also an important process.

Figure 6: Does the company verify in any way the employees' knowledge on CSR?
4. Conclusion

The basic element of knowledge management in the context of CSR is its collection by means of various tools - both traditional ones (sets of materials and publications) and virtual ones (internet platforms, blogs, intranet). A more advanced stage is the extraction of knowledge "hidden" in the experiences and intellectual potential of employees. This is done through processes such as: interactive cooperation between employees, e.g. in the form of an experience exchange platform or implementation of joint projects, including employee volunteering projects. An important role is also played by the reporting process (within social reports, application of GRI guidelines or Global Compact reports), which allows to extract and organise the knowledge inside the company.

The conducted own research has confirmed that the process of knowledge management in the context of CSR in the group of SMEs should include the decision-makers (the management board, owners), adjusting the tools for transferring and developing knowledge to their needs and scope of responsibilities. A proven form of management board involvement are meetings and intensive training sessions in the development and management of CSR strategy. Subsequently, our own research has shown that the primary channel for disseminating CSR knowledge in SMEs is internal communication tools, i.e. intranet, thematic mailings, newsletters. Frequent actions to support the development of employees' knowledge on responsible business also include internal and external training, thematic educational programmes and co-financing of individual activities in this area. People play a key role in the SME sector, their competences, skills and experience, properly used, may be a guarantee of success of the company they work for. In order to make proper use of their knowledge resources, it is necessary to introduce a knowledge management system in the organisation. The implementation of a knowledge management system is undoubtedly a challenge for enterprises and their managers. The surveyed SMEs indicated that the main area of benefit from knowledge management in the context of CSR is the relationship with employees, which improves thanks to their greater involvement, loyalty and identification with the company’s mission and vision. This translates into improvements in processes and activities and more effective implementation of the CSR strategy. Also important is the image aspect and a chance for greater competitiveness, built on the high competences of the team. The success of knowledge management in the context of CSR consists of several key elements: a strategic connection with a well-prepared and implemented CSR concept, the involvement of the management board and employees, as well as - which many of the surveyed enterprises emphasise - appropriate communication. The level of commitment to responsible business is also important. If a company has clearly defined goals and treats them strategically, the transfer and development of CSR knowledge throughout the team seems a natural consequence of their implementation. In the future, the research should be further deepened by broadening the research sample and implying new trends in intellectual capital management.

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