

KNOWLEDGE MANAGEMENT DIFFUSION AMONG SAUDI SMALL AND MEDIUM-SIZED ENTERPRISES (SMES)

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ABSTRACT

The purpose of this research is to study the contextual factors and their influence on knowledge management (KM) diffusion among SMEs. The contextual factors consist of 1) technological factors, such as IT support and IT effectiveness; 2) organizational factors such as top management support, reward system and sharing culture; 3) and environmental factors in terms of competitive pressures. This also includes the stage-stage KM diffusions within the management perspective (KM adoption and implementation) in business environment. The sample research included 91 SMEs under the level of management including senior managers (Stakeholders, middle level managers and vice president) who were tasked with testing the relationship between the variables in the study by applying the model of partial least square method. The findings of the study were directly linked to the variables and thus the factors such as KM adoption variances, implementations and critical review considerations were evidenced through the research. IT support became an important support shift for KM adoption and also the sharing culture reflects a very strong impact on KM implementation. There is positive correlation between KM diffusion levels as well as the variances that support the entire process of determining the correlations between these factors. IT support represents an important factor within itself that help to transform the IT system through an integral approach, between link to knowledge economy and enhanced knowledge in systems development.

Keywords: *knowledge Management, SMEs, Saudi Arabia, IT, KM diffusion*

INTRODUCTION

Despite the fact that Saudi Arabia is faced with many challenges towards the development of its SMEs, there is a significant difference of its situation from other developed countries (Oxford Business Group, 2015). The Saudi Arabian market seems to have less interest on performing extensive research and designing practices for Knowledge Management (KM), and hence hindering development of its SMEs (Dalkir et al, 2011). Thus, the vital purpose of this paper is to examine the extent to which contextual factors have an impact on SMEs' ability to adopt and implement KM.

In a bid to understand the context of Saudi SMEs development, the research attempts to answer the following question:

What are the contextual factors that affect the adoption and implementation of knowledge management in Saudi SMEs?

There is a need to critically review literature related to thriving and development of SMEs in Saudi Arabia with regards to KM practice and contextual factors. This research paper structure as follows: based on reviewing the related literature, the research model has been developed, research hypotheses have been formulated and the survey items have been identified; then the research findings have been presented and discussed in light of the previous literature to test the proposed hypotheses; and finally, the necessary recommendations and conclusion were presented.

LITERATURE REVIEW

The research concept about KM diffusion is provided in the theoretical reference which this study tries to explore. However, there are various contextual factors that directly influence KM diffusion. This analysis provides the greater impediment of these factors and their significant roles in defining the background content relative to this study. In a bid to analytically theorize the issue at hand, there is a need to make a review of literature related which was essentially undertaken as extensively done in this section. Concepts were virtually defined and explained in regards to KM, KM diffusion as well as SMEs in Saudi Arabia and the influence of

contextual factors on SMEs practices.

Concept of Knowledge Management and Knowledge Management Diffusion

Knowledge management refers to the practice of obtaining, developing, presenting, and utilizing organizational knowledge in an effective manner (Tsai et al, 2006). The process of KM includes sharing organizational knowledge and since it is a multi-disciplinary approach, it contributes to accomplishing organizational objectives by disseminating best practices and experience among the organization's units. According to the 1998 LOTUS Development Report, KM is based on a systematic approach for using expertise for enhancing organizational innovation and responsiveness (Tsai et al, 2006). KM involves improving productivity and dynamic capability (Ruggles, 2009). In a critical analysis by Zhang et al., (2009), KM is about constructing an integration environment, in which there can be an exchange of information and knowledge between the employees.

KM diffusion enabled research to be conducted in Australian organizations, and qualitative research was basically used for interviewing and it focused on the development of a relevant model for the adoption and diffusion of Knowledge Management. As a result, three major factors were identified for influencing economic development which include; top management support, individual benefits and organizational culture. The study presented its model in regards to the three variables. The research further identified that there are research and managerial implications when it comes to KM diffusion. In accordance with Huang et al, (2007), the concept of knowledge diffusion presents better practices in the community. There was development of an algorithm for depicting the procedure of knowledge diffusion amongst workers. An algorithm helped to highlight challenging factors such as motivation, distance, expression, willingness as well as comprehension as asserted by (Chen et al, 2009).

In accordance with the report advanced by Huang et al, (2007), the application of knowledge sharing and discussion can enhance its diffusion. Results of the study depicted that changes within the knowledge work would influence knowledge diffusion with regards to community practice. The involvement of community members in knowledge practice increases the awareness of better knowledge management and control. However, measuring the development of knowledge among workers involves

budgeting and time constraints, which leads to planning, analyzing, predicting, and enhancing the KM initiatives (Du Plessis, 2007).

Small and Medium Sized Enterprises (SMEs) in Saudi Arabia

The banking industry of Saudi Arabia has presented an opportunity for significant growth in terms of forming and enhancing the sector of SMEs as ninety percent (90%) of the registered businesses within the country have been accounted for the SMEs (Oxford Business Group, 2015). Further, sixty percent (60%) indicates total employment associated in this area as identified in the Aljazira Capital report (Oxford Business Group, 2015). The results indicated reflect that SMEs have been indicated in a central manner when it comes to the development strategy of the country. In a related report regarding the Capital Group International 2011, it was identified that even after involving such a high percentage of businesses in the SMEs sector, the country's GDP remains at a lower rate (Zamberi, 2012).

With regards to Ahmad et al, (2010), most SME programs and proposals have been competing throughout the country, and that indicates that there is an essential need for developing a new SME support organization. The discussed study suggests that in order to expand the relevant economic factors of the SMEs in the country, there is need for developing the national SME authority for affectivity (Ahmad et al, 2010). Saudi Arabia has grown its budget from the value of sixty nine billion dollars (\$69bn) to one hundred and seventy billion dollars (\$170bn). However, with a high growth of SMEs, they have only contributed about twenty five percent (25%) to employment and thirty three percent (33%) to the GDP of the country (Achoui, 2009).

Based on the recent gaps, size and expansion of the economy in Saudi Arabia, its major focus is on the economic diversification of the country, SMEs need to present above fifty percent to the country's Gross Domestic Product as described by the Capitals Group International, (2011). Saudi Arabia has been facing challenges within the SME sector that have presented obstacles in order for the enterprises to be competitive and operate for better growth. Lack of proper support facilities, financing programs and services that contribute to meeting the requirements of SMEs has presented a shorter period for these enterprises in the country (Oxford Business Group, 2015).

According to statistics by Hertog, (2010), total enterprises in Saudi Arabia comprise of ninety three percent (93%), while commercial registrations compose of ninety five percent (95%), and industrial

establishments make up to seventy one percent (71%). While of these forty seven percent comprise of hotel businesses, other small percentages are made up of the manufacturing sector, social services as well as construction. As a result, the SMEs contribute less towards the growth of Saudi Arabia's GDP (Ryan, 2011).

The influence of Contextual factor on KM and SMEs

The studies mentioned above regarding Saudi Arabia have identified that a small amount of the SMEs achieve success when it comes to high performance and sustainable growth as identified with other countries and businesses (Sidika, 2012). The study highlights the positive relationship can be observed amongst entrepreneurial traits and firm performance in terms of SMEs. Even though there is a positive relationship here, the connection has still been identified as inconclusive. This indicates the involvement of intervening constructs within the two mentioned constructs. The results have presented 5 second-order constructs in terms of being mediating roles amongst the entrepreneur traits and firm performance (Zheng et al, 2010).

These are entrepreneurial orientation, innovative capacity, market orientation, innovative performance, and organizational search. The framework only contributes in terms of SMEs highlighting the impact of the discussed contextual factors on them and producing an effective framework, but the KM factor had not been identified. In the study conducted by Lin (2014), a research model was developed for identifying the contextual factors that are associated with technological, organizational, and environmental aspects in terms of KM, innovation diffusion theory, and technology framework. These factors included IT support and effectiveness, top management support, sharing culture, rewards system, and competitive pressure (Zack et al, 2009; Desouza and Awazu, 2006).

The contexts were based on the two-stage KM diffusion involving its adoption and implementation in the SMEs (Chen et al, 2007). The research was also conducted on Taiwanese organizations; targeted senior managers for analyzing the connection amongst the constructs of the research model through the partial least squares technique. The results identified that the technological, environmental, and organizational factors comprise of different impacts when it comes to the stages of KM adoption and implementation. Information Technology supports presented a strong impact on the KM adoption stage and sharing culture had the strongest impact on

the KM implementation stage. IT support showed a positive relationship with the KM implementation after adoption (Brachos et al, 2007).

KM diffusion involves the managers for the purpose of investing their time and efforts in order to function and process IT support and knowledge related work activities because presentable IT deployment in terms of KM, it contributes in helping SMEs to enhance towards a knowledge-based society (Brachos et al, 2007). This is an essential factor when it comes to the contemporary knowledge economy. The results of this study are based on the empirical research regarding the contextual factors that affect the KM diffusion in terms of a diverse dataset relatively to the some of the isolated SME cases.

RESEARCH MODEL AND HYPOTHESES

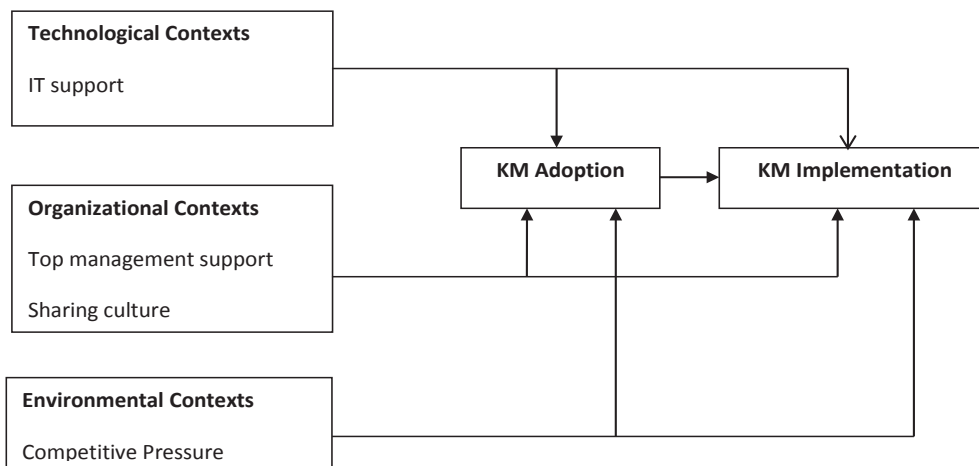


Figure 1. Research Model

The research model of this study as shown in Figure 1 is based on the stages of KM diffusion, as mentioned above. The study deemed the stages of KM adoption and KM implementation as the dependent variables of the study (Zhang et al, 2009). To investigate this aspect it is necessary to assess the contextual factors that affect such adoption and implementation (Chen et al, 2007). The research includes contextual factors of Technological, Organizational, and Environmental since the literature portrays evidence of their impact on KM diffusion stages (Brachos et al, 2007).

Technological context

According to Zack et al (1999) IT support is based on three major KM activities which include indexing, linking knowledge that is related to digital items as well as storing of data. It is also related to related studies about knowledge-intensive SMES. Further studies by Baptista Nunes et al., (2006) indicates that the use of IT in a greater perspective is important for sustaining SMEs and it also helps in sustaining KM efficiency. From research works of Tan, (2011) KM activities are enhanced through critical decision-making processes that also establishes a link between IT and the knowledge that is made available to professionals, employees and other stakeholders which hence enable them to facilitate KM diffusion in the functioning of SMEs. In this consideration, the argument amount to the formation of the hypothesis below;

H1: IT support directly influences KM adoption and KM implementation.

The effectiveness of IT involves the extent that IT knowledge application is well defined by its immediate impact and its capacity to be utilized in Real time. This provides this research with a link between SME employees and the use of IT which is fully compliant with search, compilation of data and the utilization of the relevant information to benefit further works in accessing knowledge. This therefore, includes SMEs quality search for KM efficiency and how this will in a long term contribute to the successes of medium and small scale enterprises. According to Nurach et al., (2012) high IT effectiveness as well as better access to information is a reflection of the specific inclusions that are objectively relevant to KM adoption and application. Therefore, the research hypothesis will be:

H2: IT effectiveness directly influences KM adoption and KM implementation.

ORGANIZATIONAL CONTEXT

The organizational context involves the top managers of SMEs whose influence and control of all business aspects are key to successful results. Therefore, there are KM activities that need to be well engaged with top

management or to generally explore in references to active engagement to ensure that KM is successfully implemented. Successful innovation is established by underlining the trends about the role that is played by management in ensuring that employees participate in knowledge search, compilation and using as part of result-oriented search. This implies that a strong management at the higher level will constitute mature KM activities and thereby this will fully support and recreate KM diffusion (Choi and Lee, 2003). The hypothesis for this study is hence;

H3: Top Management support directly influences KM adoption and KM implementation.

Culture is an important factor that link employees and IT and the sharing approach relevant to this study involves building knowledge search by using knowledge networks in an organization. Further, the establishment according to Hoegl et al., (2003) is derived from KM activities and functions and thus sharing knowledge forms an important part of its development. The sharing of culture is important for incorporating knowledge with relative expansion of a business strategy by encouraging employees to comply with the adoption and implementation of KM activities. The suggestion based on this indicates therefore that;

H4: sharing culture directly influences KM adoption and KM implementation.

To effectively promote KM projects, there are major approaches that SMEs could apply and this includes bonuses, job security and salary incentives. The research factors involving positive relationship in specific organizational rewards which reflect KM diffusions in SMEs.

H5: Reward system directly influences KM adoption and KM implementation.

Environmental context

There are significant environmental uncertainties which include competitive pressures as well as the competition in the markets. Therefore, there are situations which Parnell et al., (2012) explores regarding threats that are attributed to adoption of various levels of KM and its

implementation. The factors relative to this suggestion reflect the creation of better deployment of KM which institutes the overall aspect of competitive environments. Therefore, from this analysis, the suggested hypothesis is;

H6: Competitive pressure directly influences KM adoption and KM implementation.

RESEARCH METHODOLOGY

Research Design and Approach

The quantitative research design was followed that is quantitative in nature and focuses on the pre-planned method to collect information to show the relation between and among different variables (David, 2014). On the other hand, this research design suggests the right selection of approaches based on the objectives of the study. In research approaches, mixed method, qualitative, and quantitative strategies are included (Mackay et al, 2013).

Data Collection

Data for the study is gathered using questionnaire. It is very effective to gather first hand data for quantitative analysis of proposed hypotheses. It contains 23 questions having five choices for the respondent. It is vital to generating the influential outcomes (Blumberg et al, 2011). On the other hand, it is not helpful for those studies where the objectives of the investigations require the data in either subjective or objective form for convenient interpretation. This research has adopted the quantitative method to verify the hypotheses. This is because, in order to accomplish the hypothesis based investigations, quantitative research approach is required that shows the empirical evidence through objective information gathered from participants (Greiner et al., 2007).

Measures

The literature review provided the necessary measurement which reflected existing information about KM context. Therefore, this express analysis provided the ideal solution which is remedied on the context of classified information as well as on the understanding of SME's and the

dynamics about the resources for KM activities. The review also explores KM diffusion stages as well as the KM-aligned objectives. The important facilitations are reflected critically within a reviewed approach as well as through guided structural estimation of variable constructs.

In opposition, a pre-testing of the survey was also conducted to check the instrument clarity and validity of language/wording used in questions provided with the options using Likert Scale. For pre-testing, four KM field experts had been asked to make comments on the survey, which provided a basis for correcting the mistakes to construct the best measures. A total of 91 questionnaires were distributed among the senior managers (owner, vice president, business manager) of focused firms.

DATA ANALYSIS

In order to analyze the data, the regression and correlation were identified through SPSS to analyze the research model of the study. This software is quite effective in determining right kind of relationship between variables. The analysis is conducted by computing responses under heading of one variable. This is necessary to see the effect of factors on the dependent variables. Regression analysis is conducted by implying linear regression technique to assess hypothesis using Beta, R Square and Correlation values.

Data Analysis and Results

This section gives a brief and directive explanation of different tables' derived using SPSS and the most important tool to explain is linear regression along with several other components to test hypothesis. Research model of the study contain two stages accommodating dependent, and independent variables. Initially proposed hypothesis will be tested by identifying effects of independent variables on mediating variables (Lawrence, 2005). In this case the mediating variables are pretended to be dependent and linear regression tool explains the nature and strength of relationship. Contextual factors stated in the research model are quite interlinked as stated in previous studies. However, to validate their relationship in this research an SPSS analysis is conducted over first hypothesis (H1). It is important because model can't move forward because there are hindrances in the model derivative which also establishes the specific platform for developing

the variable structure for each of the specific KM implementation and IT effectiveness correlation.

Dependent variables: The measures for dependent variable fall into two categories: KM adoption and KM implementation. It also focuses on the core KM activities that include generating knowledge, absorbing knowledge and defining the relevance of knowledge factors.

The relationship strength in a correlation analysis is indicated between the values of 0 and 1. Strength of the relationship between the dependent and independent variables is depicted when the correlation coefficient is closer to the value of 1.000. A weak relationship between variables is indicated by a correlation coefficient that is less than 1.000 and closer to the value of 0.000. Further, in order to find out the relationship between variables, a two-tailed significance correlation test will be conducted. The null hypothesis will equal to zero to illustrate no association between the dependent and independent variables, while the alternative hypothesis will indicate the existence of a relationship between variables.

KM adoption and KM implementation together compute the KM Diffusion. The effectiveness of KM diffusion produces effective and desired results in the performance of SMEs. To verify this relationship, the correlation tool has been applied on the data gathered for KM adoption and KM implementation.

Table 1. Bivariate Correlation between KM adoption and KM implementation

		KM Implementation	KM Adoption
KM Implementation	Pearson Correlation	1	.811**
	Sig. (2-tailed)		.000
	N	91	91
KM Adoption	Pearson Correlation	.811**	1
	Sig. (2-tailed)	.000	
	N	91	91
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 1 indicates a correlation coefficient of 0.811 between the KM adoption and KM implementation variables. This indicates that a strong linear relationship exists between KM adoption and KM implementation. Thus these two variables strongly influence each other in order to compute an effective KM diffusion. These values and findings strongly support H2 and the concept itself influence of IT effectiveness on KM adoption.

Table 2. Pearson Correlation of KM diffusion and Independent Variables

		KM Diffusion	IT Support	IT Effectiveness	Top Management	Sharing Knowledge	Reward system	Competitiveness pressure
KM Diffusion	Pearson Correlation	1	.924**	.690**	.387**	.527**	.527**	.383**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	91	91	91	91	91	91	91
IT Support	Pearson Correlation	.924**	1	.572**	.366**	.435**	.406**	.232*
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.027
	N	91	91	91	91	91	91	91
IT Effectiveness	Pearson Correlation	.690**	.572**	1	.278**	.491**	.267*	.483**
	Sig. (2-tailed)	.000	.000		.008	.000	.010	.000
	N	91	91	91	91	91	91	91
Top Management	Pearson Correlation	.387**	.366**	.278**	1	.657**	.481**	.557**
	Sig. (2-tailed)	.000	.000	.008		.000	.000	.000
	N	91	91	91	91	91	91	91
Sharing Knowledge	Pearson Correlation	.527**	.435**	.491**	.657**	1	.476**	.680**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	91	91	91	91	91	91	91
Reward system	Pearson Correlation	.527**	.406**	.267*	.481**	.476**	1	.463**
	Sig. (2-tailed)	.000	.000	.010	.000	.000		.000
	N	91	91	91	91	91	91	91
Competitiveness pressure	Pearson Correlation	.383**	.232*	.483**	.557**	.680**	.463**	1
	Sig. (2-tailed)	.000	.027	.000	.000	.000	.000	
	N	91	91	91	91	91	91	91

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 2 is the simply Pearson Correlation that indicate existence of relationship between dependent and independent variables. Hypothesis 3, 4, and 5 has been tested by computing variables separately using Pearson Correlation. KM adoption and KM implementation jointly form KM diffusion that is evident in Table 2, 3 and 4.

Hypothesis 1: IT Support Variable

H0: IT support does not directly influence KM adoption and KM implementation

H1: IT support directly influences KM adoption and KM implementation

Through using a two-tailed correlation test, the correlation coefficient between the dependent variable and the KM diffusion and the independent variable of IT support is 0.924. The KM Diffusion and IT support independent variable have the strongest linear relationship. At 0.01 significance level, the null hypothesis can be rejected and the alternative hypothesis accepted since the p-value is less than 0.01. Therefore, IT support is an important variable that contributes to the diffusion of knowledge in SMEs, especially where huge infrastructure is not mandatory.

Hypothesis 2: IT Effectiveness Variable

HO: IT effectiveness does not directly influence KM adoption and KM implementation

HI: IT effectiveness directly influences KM adoption and KM implementation

A strong positive relationship is found between KM Diffusion and IT effectiveness (correlation coefficient is 0.690). A p-value of 0.000, thus the relationship is statistically significant. Based on that, the alternative hypothesis is accepted.

Hypothesis 3: Top Management Support

HO: Top management support does not directly influence KM adoption and KM implementation

H1: Top management support directly influences KM adoption and KM implementation

The alternative hypothesis of this independent variable can be accepted since p-value < 0.01. The correlation coefficient for the top management support variable is 0.387. This is a weak correlation to the KM diffusion, illustrating that the support of the top management in SMEs is not a priority to ensuring the adoption and implementation of knowledge in the SME.

Hypothesis 4 and 5: Sharing Culture and Reward System Variables

The independent variables of sharing culture and the reward system had the same level of correlation to the KM diffusion, with a positive correlation coefficient of 0.587. As such, the null hypotheses of these variables are not statistically significant. The sharing culture of knowledge within an SME and also the reward system accorded to employees equally enable the diffusion of knowledge within the SME.

Hypothesis 6: Competitive Pressure

HO: Competitive pressure does not directly influence KM adoption and KM implementation

H1: competitive pressure directly influences KM adoption and KM implementation

According to the correlation analysis conducted, the independent variable of competitive pressure has a weak correlation to the knowledge management diffusion of the research. Consequently, competitive pressure on an SME has limited direct influence on the adoption and implementation of knowledge management within the enterprise.

Regression Analysis

Linear Regression test is used to analyze the relationship between the dependent and independent variables. Table 3 (model Summary) shows the variability of responses through the regression line. The overall simple correlation between the KM diffusion and the independent variables is 0.960. This indicates a strong positive overall correlation between the dependent and independent variables. The coefficient of determination of the model is 0.922. 92.2% variance in the dependent variable can be explained by the independent variables. Consequently, the successful diffusion of KM strongly depends on IT support and effectiveness, the support of the top management, efficient knowledge sharing, competitive pressure and a reward system.

Table 4 shows the ANOVA table for the regression analysis of the knowledge management research model. This table has the purpose of depicting whether the research model is statistically significant. The p-value of the regression analysis is 0.000, which is lesser than the significance level of 0.05. Due to the strength of the correlation between the dependent and

independent variables, the significance of the research model is assured.

Table 3. Model Summary

	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.960a	.922	.916	2.10561

a. Predictors: (Constant), Competitiveness, IT Support, Reward, Top Management, IT Effectiveness, Sharing Knowledge

Table 4. ANOVA Analysis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4389.709	6	731.618	165.017	.000a
	Residual	372.422	84	4.434		
	Total	4762.132	90			

a. Predictors: (Constant), Competitiveness pressure, IT Support, Reward system, Top Management, IT Effectiveness, Sharing Knowledge

b. Dependent Variable: KM Diffusion

Table 5. Coefficients Table

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.499	2.452		4.690	.000
	IT Support	1.882	.107	.742	17.629	.000
	IT Effectiveness	.753	.165	.196	4.566	.000
	Top Management	-.206	.115	-.078	-1.789	.077
	Sharing Knowledge	.108	.122	.044	.887	.377
	Reward	.589	.135	.165	4.347	.000
	Competitiveness	.256	.229	.053	1.118	.267

a. Dependent Variable: KM Diffusion

The table of coefficients from the linear regression analysis conducted has the purpose of detailing the values of the regression line. The table provides essential information that allows the prediction of the dependent income as explained by the independent variables as long as the specific independent variables are statistically significant.

According to the coefficient table in the regression analysis, the IT support, IT effectiveness and reward system as independent variables are the only statistically significant variables in the research model.

$$\text{KM Diffusion} = 11.50 + (1.88 * \text{IT support}) + (0.75 * \text{IT effectiveness}) + (0.59 * \text{Reward})$$

Therefore, the variables from the findings support hypotheses H1, H2 and H5 provide a link between independent variables from various contexts and the dependent variables of KM adoption and KM implementation..

Results from the regression analysis also point out that all the independent variables, apart from top management variable, have a positive relationship with the dependent variable of KM diffusion. The results suggest that an increase in top management support will lead to a 0.206 decrease in knowledge management adoption and implementation. However, analysis of standardized coefficients as represented by Beta, depict that the extent of the negative relation between top management and KM diffusion is lesser than the unstandardized coefficient of the top management variable. These results support the correlation results that show the strength of the relationship between independent and dependent variables of the research. the various hypotheses of the research model, therefore, can be supported using these analytical results.

DISCUSSION AND IMPLICATIONS

The results obtained from this study provided the necessary benchmarks which are evidently necessary to mainstream different factors of KM adoption and implementation. The factors considered in this case are about the key findings and how they influence the study variables;

Technological Context

The study results confirm that there is a significant relationships between independent variables (called technological factors) and KM diffusion, i.e. KM adoption and KM implementation. The technological environment in which present SME operates brings many challenges in regards to innovation, which is considered essential for SMEs suitability. Hence KM is vital factor in providing SMEs with strategic tools for innovation and competitiveness in the new world (Florian 2009:69).

Organizational Context

The organizational context involved the independent variables of top management support, reward system and knowledge sharing culture in SMEs. The reward system and sharing culture in an organization have a positive influence on KM adoption and KM implementation in SMEs. Surprisingly, the support of the top management of the SMEs is not nearly as important as ensuring the satisfaction, loyalty and commitment of employees in SMEs.

Environmental Context

Competitive pressure on SMEs from the market has a positive impact on KM diffusion within SMEs. SMEs will ensure effective KM adoption and implementation in order to have a competitive advantage in the market. Most SMEs have the corporate goal of expanding their market share as well as maximizing on profits. Due to competitive pressure from other SMEs, firms will ensure that they adopt information technology support and effectiveness, ensure employee satisfaction and efficiency through a comprehensive reward system and knowledge sharing culture for purposes of ensuring survival in a competitive market.

Data analysis in a pre-section of the study has given numerical evidences. Results significantly support the all hypotheses with a different level of intensity. This is measured in the form of correlation to show whether relationship is strong or weak. Results indicate a significant impact of independent variables on dependent variables. Ultimately, the performance of SMEs will improve with the better structure of Knowledge Management Diffusion. All contextual factors are strongly correlated and lay a combine influence on components of KM adoption and KM implementation. The combined effect is greatly affected by individual forces in the shape of independent variables.

CONCLUSION

Conclusively therefore, KM is a factor that plays a pivotal role in trying to enhance better organizational behavior as well as creating the best environment for industrial thriving and development. This study focused on empirical evidence about the implications and influence of contextual factors that influence KM diffusion in Saudi SMEs. SME enterprising factors are

engaged through critical reviews of IT support, IT effectiveness, reward systems, sharing culture, top management support and competitiveness pressure which are all enshrined into a system that reflects a major engagement in the understanding of firm performances. The factors such as shared longitudinal data and measurement scales provided the necessary illustration of collection of tests that influenced the final showdown in KM diffusion and adoption.

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