Chapter 3
Market Knowledge Management, Innovation and Product Performance: Survey in Medium and Large Brazilian Industrial Firms

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ABSTRACT

In a business environment characterized by a high level of competitiveness, the impact of new products on an organization’s revenue is an important factor. This research was developed with the objective of examining empirically the relationships between market knowledge management, innovation and the performance of new products in the market. This chapter analyzes KM (Knowledge Management) success through a market-oriented perspective because, at the end of the day, KM success must lead to better organizational performance. The research model was generated by the combination of market knowledge models and KM success and maturity models. By means of a survey, based on 387 medium and large industrial firms, and the use of structural equation modeling, the supremacy of the competitor knowledge management process over other constructs was verified, as the most important antecedent of new product performance in the market. The results also revealed that innovation was strongly impacted from technology knowledge management and customer knowledge management.

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INTRODUCTION

In a business environment characterized by a high level of competitiveness, the impact of new products on revenues is an important factor. Innovation consequences include firms' innovativeness, their ability to create and implement new ideas, products and processes, and new product performance defined as the success of new products in terms of market share, sales, return on investment, and profitability (Im and Workman, 2004; Hult and Ketchen, 2001; Kirca et al., 2005). Innovation is usually described as a knowledge-intensive activity, involving the discovery, experimentation, and development of new technologies, services, production processes and organizational structures (Carneiro, 2000; Khalifa et al., 2008). In a post-industrial society, the growing perception of the strategic role of knowledge in innovation processes has contributed to the development of Knowledge Management (KM) initiatives.

KM refers to identifying and leveraging the collective knowledge in an organization to help it compete (von Krogh, 1998). KM intends to be an area of research and practice that deepens the understanding of knowledge processes in organizations, and develops procedures and instruments to support the transformation of knowledge into economic and social progress (Carvalho and Ferreira, 2001). In fact, different aspects of these issues have been studied for decades in many different disciplines, and one of the most important contributions of the KM concept is creating a space (in academic and business world) where practitioners and scholars from different backgrounds may discuss and work together.

KM is closely related to the organization’s capabilities of collecting, filtering, organizing and disseminating existing information and knowledge. The organizational knowledge strategy is usually a mix of exploitation and exploration (Choo and Bontis, 2002). Exploitation emphasizes knowledge codification and the reuse of existing knowledge. When exploitation is overemphasized, the organization may diminish its capacity to innovate, resulting in obsolescence. On the other hand, exploration stimulates the creation of new knowledge, applying it to the development of products and services. When exploration is overemphasized, the organization reduces its ability to externalize knowledge and to convert it into organizational memory. Despite the quicker return on investment (ROI) of exploitation approach, the dynamic balance between exploration and exploitation seems to produce better results in a longer term, because innovation demands exploration. Furthermore, the collaborative development of strategy leverages a firm’s collective knowledge and capabilities, leading to more creative and realistic strategies (Gebhardt et al., 2006). This collaborative process also leads to higher commitment to the firm, which again increases the likelihood of success.

Internal sources of organizational knowledge include business processes, databases and employees, while external sources consist of inter-organizational processes, customers, business partners, market and competitive intelligence (Khalifa et al., 2008). Many of the existing studies in the KM field place more emphasis on organizational internal knowledge and its exploitation. This survey intended to discuss the exploration perspective that is related to market and customer knowledge, pushing the KM approach out of the boundaries of the firm.

This complimentary orientation is justified because it was observed that the financial results of some firms have improved more than others in the same market segment. As a result of efficient market orientation and creative management of market knowledge, it is possible that consecutive releases of new products and services with a high level of market acceptance have contributed to this advantageous position. According to Martin et al. (2009), a market orientation is a strong source of sustainable competitive advantage because it is difficult to imitate, focuses the firm on finding