Chapter 9

Critical Success Factors
and Outcomes of Market
Knowledge Management:
A Conceptual Model and
Empirical Evidence

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ABSTRACT

In this paper, the authors examine critical success factors and outcomes of market knowledge management, which is the management of knowledge pertaining to a firm’s customers, competitors, and suppliers. Using data collected from 307 managers in 105 businesses across Canada, the authors show that a firm’s extent of information technology adoption, its analytical capabilities, and market orientation are critical success factors for the firm’s market knowledge management. An important outcome of market knowledge management is the organization’s financial performance, mediated by customer satisfaction and customer loyalty. Results of this study indicate that superior business performance depends not only on the effective management of knowledge, but also on what type of knowledge is managed. Finally, implications of results and avenues for future research are discussed.

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INTRODUCTION

Knowledge Management is a broad construct that encompasses the interdependent yet distinct processes of creation, storage and retrieval, transfer, and application of knowledge (Alavi & Leidner, 2001). This paper focuses on one particular component of organization-wide knowledge management, Market Knowledge Management (MKM), which is defined as the creation, sharing, and application of knowledge pertaining to the organization’s customers, competitors, and suppliers in order to inform key strategic decisions (Li & Calantone, 1998). Essentially, MKM focuses on managing market knowledge that would enable the firm to satisfy its customers better than the competition.

The important role of market knowledge has been shown in several different contexts such as innovation (Marinova, 2004), new product development (Li & Cavusgil, 1999), export performance (Toften & Olsen, 2003), sales force performance (Chen, 2005), market entry timing (Mitra & Golder, 2002), and retailing (Conant & White, 1999). Knowledge about an organization’s markets, including customers and competitors, is a key resource for sustainable competitive advantage in the future (Srivastava, Shervani, & Fahey, 1998; Achrol & Kotler, 1999).

Several prior studies have presented models that elucidate critical success factors (CSF) for, and consequences of, knowledge management (e.g., Davenport & Prusak, 1998; Janz & Prasarnphanich, 2003; Jennex & Olfman, 2005, 2006; Liebowitz, 1999; Lindsey, 2002; Massey, Montoya-Weiss, & Driscoll, 2002; Trussler, 1998). As these studies generally support the notion that knowledge management leads to superior performance for the organization, we would expect that MKM would also have a positive impact on the firm’s performance. Therefore, it is important to understand the CSFs of MKM as well as the outcomes from it. Moreover, although researchers have posited superior business performance as a benefit of MKM, or organization-wide knowledge management in general, much of the extant literature on this subject has been theoretical (e.g., Jennex & Olfman, 2005, 2006; Plessis, 2007) and the empirical evidence to substantiate this proposition qualitative in nature, such as a case study of a single firm (Akhavan, Jafari, & Fathian, 2006). While multi-case studies provide opportunities for more systematic investigations (e.g., Akhavan, Jafari, & Fathian, 2006; Oltra, 2005), Lin and Tseng (2005) and Oltra (2005) argue that quantitative survey methods would provide more robust validation. Jennex and Adelakun (2003) and Jennex, Amoroso, and Adelakun (2004) systematically examined CSFs using survey methods in the specific context of offshore software development companies and small companies in developing countries, respectively. To date, little is known on the CSFs of the MKM component of knowledge management. Our research attempts to fill this gap by proposing three key CSFs for MKM and empirically substantiating their role in enabling superior results for the firm in regard to market performance and financial returns.

A question that may arise is whether the CSFs for MKM are likely to be different from those for KM. Although MKM is a subset of KM, it is an application of KM that specifically deals with the firm’s markets, namely its customers, competitors, and suppliers (Glazer, 1991; Moorman, 1995). Therefore, it can be expected that CSFs for KM in general may not adequately capture the specific nature of the CSFs for MKM. Although the CSFs for KM will apply to MKM also, the reverse is not necessarily true. For example, the market knowledge creation component of MKM requires a systematic monitoring of competitor actions that may not be addressed by CSFs for organization-wide KM. In this research, we empirically demonstrate technology adoption and analytical capabilities within the firm as important CSFs for MKM. Furthermore, we show that the firm’s market orientation (MO), which is the extent to which the firm is customer- and