Exploring Strategies for Capturing Customer’s Tacit Knowledge in Customer Integration Methods

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ABSTRACT
In many instances, customers are seen as one of the key resources for new product development (NPD), as they often have deep product knowledge, either in the form of explicit or tacit knowledge. Firms’ NPD departments are highly interested in internalizing these forms of customer knowledge with the help of customer integration methods, such as Ideas Competitions, Lead-User-Workshops etc. However, research analyzing how these methods enable transfer of customer’s tacit knowledge – which can hardly be expressed – has been neglected. Thus, scholars are constantly calling for research that focuses on understanding the tacit knowledge transfer processes by means of customer integration methods. This research identifies a total of 15 methods with the help of a systematic literature review. By then systematically analyzing these methods, authors found that six of these methods make use of two major strategies to internalise customer’s tacit knowledge: Story Telling-Strategy and Observing Customer Activities-Strategy. The rest of these methods do not allow for capturing customer’s tacit knowledge at all. Based on these insights, authors derived valuable implications for NPD practice on how each of these methods can leverage tacit knowledge from customers more efficiently.

KEYWORDS
Co-Creation, Crowdsourcing for Innovation, Customer Integration, Knowledge Management, New Product Development, Open Innovation

INTRODUCTION
Faced with an increasingly dynamic environment primarily due to advancing competitiveness, new technologies as well as shorter product and innovation cycles, the success of a company is mainly determined by its innovative abilities (Dahan, Soukhoroukova, & Spann, 2010; Schreyögg & Sydow, 2010). Thus, the continuous development and market introduction of new products have a crucial impact on the economic success of an enterprise and its performance (Blundell, Griffith, & Van Reenen, 1999; Ernst, 2002). However, various empirical studies highlight the high failure rates of new products, especially in consumer markets (see e.g., Ayers, Gordon, & Schoenbachler, 2001; Cooper, Edgett, & Kleinschmidt, 2004; Crawford, 1987; Ernst, 2002). It is therefore obvious that management is highly interested in detecting ways that enable the development of successful innovations.

A review of old and recent literature reveals that the reduction of innovation failures and the improvement of the return on funds invested in new product development (NPD) are mainly determined by the capability of these innovations to meet customers’ wants and needs (e.g., Coelho, Augusto, Coelho, & Sa, 2010; Davidson, 1976; Martin & Bush, 2003; Moore, 1982). In the course
of time, it has been recognized that the creation of successful innovations requires the compounding of knowledge from various perspectives, including especially the knowledge of customers, as these are most suitable for revealing their wants and needs (Bergman, Jantunen, & Saksa, 2009; Joshi & Sharma, 2004; Leonard & Sensiper, 1998). Customer knowledge has become indispensable for developing innovative products (Sawhney, Prandelli, & Verona, 2003; Su, Chen, & Sha, 2006). Füller et al. (2015), Enkel et al. (2005), Lau et al. (2010), and Sandmeier et al. (2010), amongst others, suggest that absorbing customer knowledge through customer integration into NPD strengthens a company’s core competencies. In the context of customer integration, customers creatively contribute and cooperate within the different phases of the innovation process (Zwass, 2010) and thereby transfer their knowledge to the R&D professionals. Since 2003, this approach is often referred to as “Open Innovation” (Chesbrough, 2003), whereas nowadays this approach is also referred to as Crowdsourcing for Innovation (Afuah & Tucci, 2012).

Over the years, various methods and practices that allow engagement of customers in NPD have been developed in practice and discussed in literature (Bartl, Füller, Mühlbacher, & Ernst, 2012; J. Füller & Matzler, 2007; Lilien, Morrison, Searls, Sonnack, & von Hippel, 2002). Existing customer integration methods are all different in their nature; however, the central purpose of all methods is to attain knowledge from customers and internalize that knowledge into innovation development.

This knowledge provided by customers can – according to the knowledge management terminology – be distinguished between tacit knowledge and explicit knowledge. Tacit customer knowledge represents internalized knowledge that an individual may not be consciously aware of, such as the way he or she accomplishes particular tasks, and that is difficult to transfer to another person by means of writing it down or verbalizing it (Nonaka & von Krogh, 2009). In contrast, explicit customer knowledge represents knowledge that the individual holds consciously in mental focus, in a form that can easily be communicated to others (Nonaka & von Krogh, 2009). In the domain of innovation research, the first one is referred to as “sticky” information (von Hippel, 1994). “Stickiness” is defined by von Hippel (1994) as “the incremental expenditure required to transfer a unit [of information] from one place to another, in a form that can be accessed by the recipient. When this expenditure is low, information stickiness is low; when it is high, stickiness is high.”

Despite intensive research on the different customer integration methods, there is a lack of literature that has analyzed these practices from a knowledge management perspective. In particular, an elicitation of the strategies of transferring sticky information, respectively tacit customer knowledge is still missing. This, however, is of highly relevance since customer typically have a highly valuable tacit knowledge and sticky information gained through regular product usage (Bretschneider, Leimeister, & Mathiassen, 2015; Magnusson & Kristensson, 2009).

Against this background, this research’s underlying research question can be formulated as follows:

In which way do customer integration methods capture customers’ tacit knowledge?

So the aim of this paper is two-folded: In a first step authors will identify and give an overview of the existing customer integration methods that come to use within NPD. Authors accomplish this by means of a systematic literature review. Second, the researches systematically analyze these methods with a view on how these methods enable transferring sticky information and tacit knowledge of customers. By doing so, authors contribute to literature by firstly revealing the knowledge transfer strategies of customer integration practices.
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