Chapter V

Linking Knowledge to Competitiveness: Knowledge Chain Evidence and Extensions

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Abstract

Knowledge management (KM) initiatives are undertaken in order to improve organizational performance. The goal of such improvement is to make an organization more competitive in delivering value to its customers, employers, and stakeholders. However, without a plan that links KM activities to organizational performance, the time, effort, and money devoted to a KM initiative may yield little benefit. Thus, understanding this linkage is crucial to competitiveness of knowledge-based organizations. This chapter uses the knowledge chain model as the theoretical base for an empirical study of the linkage between KM activities and approaches to competitiveness. It finds that every one of the nine knowledge chain activities can be performed in ways that improve organizational competitiveness in any of four ways: enhanced productivity, agility, innovation, and reputation. Aside from offering empirical support for the knowledge chain model, the primary finding of this research is that each knowledge chain activity deserves to be considered as a possible means for implementing each of these four approaches to improving organization performance.
Knowledge management (KM) rapidly is becoming an integral function for many organizations as they realize that competitiveness hinges on effective management of their knowledge resources (April, 2002; Carneiro, 2000; Grover & Davenport, 2001; Holsapple & Whinston, 1987). In an economy in which the only certainty is uncertainty, one source of lasting competitive advantage is knowledge and its manipulation (Nonaka, 1991). Researchers in the field of sustainable competitive advantage have discovered that knowledge, which includes what the organization knows, how it uses what it knows, and how fast it can know something new, is the only thing that offers an organization a competitive edge (Adams & Lamont, 2003; Prusak, 1996; Sharkie, 2003). Critical to our understanding of the value of knowledge management is its link to organizational performance outcomes (Kalling, 2003).

Contentions about competitiveness achieved through knowledge management (KM) are found to be in harmony with results of empirical studies conducted by organizations such as Delphi (1997), Hughes Space and Communications Company, and Ford Motor Company (Ward & Le, 1996). User success stories via knowledge management abound in the “KM in Practice” section of the KMWorld periodical. On the other hand, unmanaged organizational knowledge led to failures such as those concerned with risk management at Barings Bank, Kidder Peabody, and Metallgesellschaft (Marshall, Prusak, & Shpilberg, 1996), and insufficient knowledge management activity was a contributing factor to the 9/11 disaster (Spender, 2003).

All businesses involve creation, dissemination, renewal, and application of knowledge toward organizational sustenance and survival in the face of increasingly discontinuous environmental change (Malhotra, 1998, 2003). However, except for an assortment of success stories supporting the macro-level contentions that KM initiatives are undertaken for the purpose of achieving better organizational efficiency and effectiveness, there has been little investigation of the connections between KM and competitiveness. There is a dearth of formal research in this area (Grover & Davenport, 2001). Therefore, in this regard, an interesting question is, What are the specific KM activities that can be contributors for achieving superior organizational performance? One answer to this question is furnished by the knowledge chain model, which identifies and characterizes nine key KM activities (Holsapple & Singh, 2000a). This model asserts that these nine key KM activities deserve careful attention in an organization’s quest to leverage its knowledge into a competitive advantage.

The knowledge chain (KC) model is grounded in a descriptive KM ontology that was developed collaboratively via a Delphi study involving an international panel of KM experts (Holsapple & Joshi, 2002a, 2004; Joshi, 1998). It is somewhat analogous to Porter’s value chain model. The KC model posits nine distinct, generic activities that an organization performs in the course of managing its knowledge resources. It contends that these are focal points for achieving competitiveness through knowledge management in the sense that an organization can perform one or more of them better than competitors can in order to achieve a competitive edge. Anecdotal evidence has been reported that illustrates the direct role of each of the nine KC activities in adding value to an organization and in increasing its competitiveness (Holsapple & Singh, 2000b).