Chapter 15
Knowledge Management for an Effective Sales and Marketing Function

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ABSTRACT

In the last decade, knowledge management has been receiving managerial attention particularly in the post-Internet era. With advancements in information and communications technologies, the incentives to manage knowledge have far surpassed the costs associated with it. The sales and marketing (S&M) function is one of the important functions in an organization with a unique blend of internal and external stakeholders to cater to. Another unique feature of knowledge management in the S&M function is that it lies on the interface of the organization with its customers. Therefore, information that comes into the organization through sales and marketing employees is often collected, filtered, and assimilated in different forms and with time lags. This chapter is aimed at familiarizing the readers with the importance of managing a continuously churning ocean of knowledge in the S&M function. We address various knowledge management issues and opportunities in the context of S&M and recommend a set of guidelines to enable managers increase the effectiveness of the S&M function by using appropriate knowledge management tools and strategies.

INTRODUCTION

Knowledge is created and organized by the flow of information, anchored on the commitment and beliefs of its holder (Nonaka, 1994). In the context of Sales and Marketing (S&M), the holders are team members of S&M and their support functions. Compared to other functions, knowledge in the S&M context is more intricate yet unique because of the function’s focus on building, maintaining,
and enhancing relationships with customers, while keeping an orientation for activities of competitors. In the sales function, for instance, it has been shown that salespersons’ declarative knowledge helps them in classifying selling situations as well as customers that ultimately leads them to adopt suitable strategies for successful selling (Sheth, 1975). Given that similar firms in the same space are targeting a similar set of consumers, knowledge creation and utilization becomes more dynamic in S&M functions than in any of the other functions inside the firm, mainly because of flow of information from markets to the firms and its employees.

The S&M function is overtly dependent on the skill set and information base of employees in the department. While the skills are developed over time, the information base can be managed with appropriate management of knowledge. The organization’s market orientation, akin to an organization-wide culture, places emphasis on two primary activities: (1) profitable creation and maintenance of superior customer value, while considering the interest of other key stakeholders; and (2) providing norms for behavior regarding the organizational development and responsiveness to market information (Slater and Narver, 1995). While it is virtually impossible for any one employee to capture and utilize all knowledge at a given time, it becomes imperative for the organization to implement certain tools that can help it in capturing, sharing, and updating knowledge at various stages in the value chain. In order to help understand these tools, in this chapter, we cover different situations which will highlight the need for a KM system. More particularly, we will discuss how knowledge is created from information and leveraged in the various S&M functions such as new product development process, segmentation and targeting, and selling. We discuss knowledge creation and utilization at the employee and organization level. We also raise issues in KM applications in S&M function, and provide solutions to problems there. The chapter covers some key KM tools in use such as customer relationship management (CRM), and business intelligence (BI). We conclude the chapter with a strategy for managerial action and implementation of KM, and directions for evolution of the field in future.

BACKGROUND

For long, organizations have been obtaining knowledge from the environment. Simon (1957) coined the term bounded rationality to explain the decision-making of business managers under the presumption that making perfectly rational decisions are often not feasible in practice, given the finite computational resources available at hand. However, over the years, with increased flow of information, decision-making within organizations has increasingly become more informed. In order to make better decisions, firms adopt various processes and practices – formally and informally – to ensure that knowledge within organizations is created, captured, shared, and utilized in an effective manner.

Knowledge in organizations can be broadly classified into two categories: tacit and explicit. Tacit knowledge is hard to articulate, and constitutes action-based skills which are difficult to document. Explicit knowledge, on the other hand, is codified using expressions and can therefore be easily communicated, transferred or diffused. Nonaka (1994) proposed different processes through which knowledge can be transferred from one person to another in the same form or another.

Tacit to Explicit: Articulation

Tacit knowledge is transformed into explicit knowledge using documentation of policies that define the philosophy of the firm. This is a gradual process, which Baumard (1999) termed as common knowledge that is articulated into explicit knowledge over the years.
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