Chapter 15
The Role of a Knowledge-Centric Capability in Innovation: A Case Study

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ABSTRACT

The ability to provide an organisational context for the creation, sharing, and integration of knowledge, called the knowledge-centric capability, is a key strategic resource of an organisation and an enabler of innovation. This view is informed by dynamic capabilities, which focus on the ability of an organisation to modify and renew its resource base by creating, integrating, recombining, and releasing its resources in order to adapt to current changes or to affect change in its environment. A knowledge-centric capability comprises three core elements that enable innovation. Organisational intent is the resolve of an organisation to provide the context in which knowledge can serve as a strategic resource in the organisation. Knowledge orientation is the way in which an organisation orientates itself towards its knowledge environment in terms of knowledge types and the role of knowledge in the organisation. Enactment includes elements of knowledge coordination, creation, use, and integration. The authors review how the extent to which the three core elements that are present in an organisation could give an indication of the organisation’s ability to innovate by comparing these insights with the practices of Fundamo, one of the world’s leading specialist mobile financial services companies.

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INTRODUCTION

The requirement for long-term competitiveness is central to an organisation’s strategy and management. An organisation is unavoidably connected to the conditions of its environment and to sustain a competitive advantage. It needs to be able to sense changes in both its internal and external environments and adapt in an appropriate manner. This alignment with the environment implies an organisation must be able to learn, unlearn, or relearn based on its past behaviours (Cyert & March, 1963; Fiol & Lyles, 1985; Levitt & March, 1988; Miller & Friesen, 1980). Applying this view to knowledge management, a knowledge-centric perspective thus needs to address the issue of how organisations employ knowledge to create, maintain, and renew their competitive advantage in a dynamic environment.

The objective of this chapter is to illustrate that the capacity to provide an organisational context for the creation, sharing, and integration of knowledge, called the knowledge-centric capability (Cruywagen, 2010), is a key strategic resource of an organisation and an enabler of innovation. To achieve this objective, we will explore in what manner a knowledge-centric capability enables an organisation to develop its capacity for innovation, and identify the configuration of capabilities which comprise the knowledge-centric capability of Fundamo, a global specialist mobile financial services provider, in order to garner some lessons for both theory and practice.

The chapter is structured as follows. Following this introduction, we will review the extant literature on the dynamic capability view as an extension of the resource-based view. The third section provides a brief overview of the knowledge-centric capability framework, as introduced by Cruywagen (2010). The following section presents the Fundamo case study and outlines the company’s knowledge-centric capability as an enabler of innovation. The final two sections present some directions for future research and the conclusions.

BACKGROUND

This section reviews the literature concerned with the dynamic capability view which formed the foundation for the knowledge-centric capability framework (Cruywagen, 2010).

Dynamic Capabilities

The dynamic capability approach is partly based on the work of Schumpeter (1934), Penrose (1959), and Nelson and Winter (1982), and is focused on the ability of an organisation to modify an renew its resource base by creating, integrating, recombining, and releasing its resources in order to adapt to current changes or to effect change in its environment (Eisenhardt & Martin, 2000). From a dynamic knowledge-centric perspective, this means focusing on the ability of an organisation to modify and renew its knowledge base by creating, integrating, recombining, and releasing its knowledge resources in order to effect change or to adapt to change in its environment. The evolutionary view of competitive advantage is discussed under various names in the literature, for example core competencies (Prahalad & Hamel, 1990), capacity for regeneration (Ambrosini, Bowman, & Collier, 2009; Hogarth, Michaud, Doz, & Van der Heyden, 1991), and dynamic capabilities (Teece, 2007; Teece & Pisano, 1994; Teece, Pisano, & Shuen, 1997). From these perspectives, a sustainable competitive advantage is dependent not only on the ownership of distinctive resources, but also distinctive and dynamic capabilities.

The concept of dynamic capabilities was originally defined as “the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments” (Teece, et al., 1997, p. 516). In this definition, competencies included managerial and organisational processes, in turn comprising coordination or integration, learning and reconfiguration (Teece, et al., 1997).

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