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## Critical processes of knowledge management: An approach toward the creation of customer value

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### ABSTRACT

The aim of this article is to contribute to the literature by identifying and analyzing possible combinations between critical knowledge management processes (absorptive capacity, knowledge transfer and knowledge application), which will result in the creation of superior customer value. The main research question this work addresses is: given that customers are demanding each day a greater value, how can organizations create more value to customers from their knowledge management processes and the combination of them? We propose that the combination of the three knowledge management processes builds a dynamic or higher-order capability that results in the creation of superior value for customers.

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### 1. Introduction

In recent years of high turbulence of the environment, firms and organizations in general must pay special attention to those strategies or management processes with a greater likelihood of ensuring their success and of helping them achieve sustainable competitive advantages over time. Customer focus and the value that organizations are able to offer him or her constitute key elements to achieve such sustainable advantages.

Thus, the aim of this study is to develop a model that brings a better understanding on how a company can offer greater value to the customers, through its knowledge management (KM) processes. In particular, the research question this work aims to address is: given that customers are demanding each day a greater value, how can organizations create more value to customers from their KM processes and the combination of them?

In this line, KM becomes a key management capacity in order to create customer value. The importance of this capacity roots on

the consideration of knowledge as a key strategic resource (Grant, 1996; Van den Hooff & Huysman, 2009). Thus, if firms want to take advantage of the knowledge they possess, they have to know how knowledge is created, shared and used within the company (Ipe, 2003).

The existing literature suggests that enterprises that apply KM processes are especially looking to deliver superior value to the customers. Nevertheless, the key is not its static analysis at any point in time; the recombination of the processes should be recurrent and sustainable. According to Sirmon, Hitt, and Ireland (2007), having highly valuable or rare resources and capabilities is not sufficient to obtain competitive advantages or to create value; companies must also be able to manage them effectively. Therefore, the creation of value can also occur by recombining existing resources and capacities (Morrow, Sirmon, Hitt, & Holcomb, 2007). Organizational capacities have to be able to be reconfigured to allow the company to create value over time.

This research explores customer value creation through the organizational capacity of KM, and proposes that recombination processes constitute themselves a higher-order capacity which contributes to increase customer value. On this basis, and relying on the existing literature on the subject, this study intends to establish how companies can develop these higher-order or dynamic

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capabilities (DC), thus being able to offer a superior customer value. For this reason, we analyze how absorptive capacity (ACAP), knowledge transfer (KT) and knowledge application (KA) combine and relate to each other; establishing a knowledge cycle that will constitute a dynamic capability, and hence contribute to provide customers with superior value.

Section 2 presents the theoretical framework. Details of the proposed model are shown in Section 3 and the theoretical contributions and managerial implications are discussed in Section 4, which is followed by our general conclusions in Section 5.

## 2. Theoretical background

According to Martelo-Landroguez, Barroso, and Cepeda (2011), understanding how organizations are able to generate and maintain a competitive advantage becomes something fundamental in the field of strategic management (Zott, 2003). According to the resource-based view (RBV), the differences in performance between companies are due to their specific sets of resources and capabilities. Therefore, such resources and capabilities are understood as the source of competitive advantage (Helfat & Peteraf, 2003). The RBV assumes that resources and capabilities are distributed heterogeneously among companies and that such heterogeneity can be maintained over time (Ambrosini & Bowman, 2009; McKelvie & Davidsson, 2009; Wang & Ahmed, 2007).

At the current period of widespread crisis, characterized by a significant shortage of resources in all sectors, organizations need more than ever to be able to distribute their available resources among the distinct alternatives, to try to adapt in the best way and as quickly as possible to the turbulence of the environment (Fowler, King, Marsh, & Victor, 2000; Prahalad & Ramaswamy, 2004). Therefore, organizations must develop DC in order to evolve, advance, grow, adapt, and, ultimately, survive. By means of such DC development, the company will be prepared and able to sit some firm foundations that support its strategy (Helfat & Martin, 2015).

The literature proposes numerous definitions of DC. DC is a concept that has been reached through a terminological evolution of different authors over time. Teece, Pisano, and Shuen (1997) were the first to coin this concept and defined it as the ability of the company to integrate, build, and reconfigure internal and external competencies to manage rapidly-changing environments. Cepeda and Vera (2007) and Zahra, Sapienza, and Davidsson (2006) refer to DC as the processes to reconfigure a firm's resources and operational routines in the manner envisioned and deemed appropriate by its principal decision makers.

As an extension of the RBV and as a forerunner of the DC approach, we found in the literature the knowledge-based view (KBV). The authors supporting the KBV (Nonaka, 1994; Grant, 1996) essentially consider that the main aim of the company is to create and apply knowledge. According to this approach, firms are knowledge stores. Hence the importance of accessing this knowledge, creating within the company an enabling environment to knowledge acquisition, and considering knowledge as an asset (Davenport, De Long, & Beers, 1998).

The problem inherent to the RBV is that it fails to adequately explain how and why many companies reach competitive advantages in situations of fast and unpredictable change. In such markets, where the competitive landscape is changing, DC become a source of sustainable competitive advantages. The management of knowledge resources, in particular, is especially critical in such markets (Eisenhardt & Martin, 2000). While the RBV emphasizes the collection of resources (Barney, 1991), the DC approach focuses on the renewal of these resources through their reconfiguration into new functional skills (Eisenhardt & Martin, 2000; Teece et al., 1997).

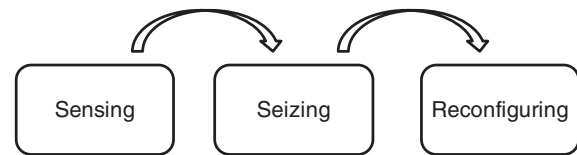


Fig. 1. Sequence of the microfoundations of dynamic capabilities.

### 2.1. Microfoundations of dynamic capabilities

The microfoundations of DC (Teece, 2007) are defined as a set of tasks that the company must address in order to develop DC. Such tasks are called sensing, seizing, and reconfiguring. The DC approach suggests that to identify new opportunities (i.e., sensing); to effectively organize them (i.e., seizing); and to adopt them (i.e., reconfiguring), is more relevant than strategy itself; strategy being understood as the behavior to ward off competitors, raise entry barriers, and exclude potential new rivals (Helfat & Peteraf, 2015; Teece, 2007). In this sense, other authors (Helfat & Peteraf, 2009; Teece, 2009) suggest that companies need to align their resources with the market's needs through the perception of opportunities or threats (sensing), the valuation of opportunities and the management of the threats (seizing), and the reconfiguration of the resources (reconfiguring).

First, companies need to focus on the activities of perception (sensing), to find out new opportunities. To do this, managers must scan, learn and interpret all the existing information (Cohen & Levinthal, 1990). These tasks will enable the discovery of latent opportunities and will generate new opportunities. Firms will have to carry out these activities intentionally and systematically, not leaving matters to chance. Now more than ever, managers need to find the way to better understand all the information available. Therefore, they will have to filter and identify the relevant information upon which to focus their attention (Ocasio, 1997).

When a new opportunity has been detected, the next step will be to assess the opportunity, which is seizing. To do this, it is necessary to determine the business model, understand resource needs and make decisions to invest in technology or other resources required, while allowing others to make the appropriate changes. Due to the fact that numerous functional areas are involved, it is necessary to achieve an important coordination of activities that affect these various functional areas, and also the associated investments that should be made simultaneously and not sequentially, especially if companies are shortening times of commercialization of new products or services (Teece, 2007). After assessing the opportunity, the reconfiguration of resources (reconfiguring) becomes necessary. Reconfiguring involves the reallocation of resources so that the new combination increases the value of the company. This reconfiguration gives the company the ability to adapt to changes in the environment, to dispose of obsolete routines and to allow increased and sustainable results.

Fig. 1 graphically represents the sequence of activities or tasks that must be carried out within the organization.

### 2.2. Knowledge management: critical processes

KM has been a widely examined topic in the management literature for many years. For a long time, companies wanted to "know what they know" (i.e., to bring to conscious level what the company knows how to do, but which up to a certain time had never stopped to analyze). Additionally, they intended to go beyond wondering how they are able to make the best use of the knowledge they possess (Macintosh, 1997).

Knowledge is considered the most important asset that organizations have (Drucker, 1985) and the most significant economic

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