



A study on customer, supplier, and competitor knowledge using the knowledge chain model

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ABSTRACT

In the new economy, firms are willing to pay abundant premiums for the significant entrepreneurial capacities of management and staff in order to develop, build, protect, transfer and integrate knowledge. Although companies and scholars have indeed recognized the value of knowledge management, they have not generally included customer, supplier, and competitor knowledge, preferring to emphasize the process of knowledge acquisition and sharing that takes place within organizations. Thus, this study proposes a conceptual framework, and uses interpretative case studies, to explore how an enterprise obtains the three types of external knowledge. Moreover, through the following five primary activities – acquisition, selection, generation, internalization, and externalization – this study will illustrate how enterprises apply the internal knowledge chain to transform their customer, supplier, and competitor knowledge to enhance enterprise competitiveness.

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1. Introduction

With the rapid changes and pressure of global competition, the business environment has become much more complicated. Thus, to survive, enterprises must maintain and utilize internal and external knowledge. Colin and Magda (2002) believed that building enterprise value originated from intangible assets, such as knowledge, while Quinn (1993) thought that three-quarters of the value added in many corporations came from specific knowledge property rights. Drucker (1985) suggested that 'knowledge' would replace machinery, equipment, capital, raw material and labor to become the most important factor for the productive element in industry. Nonaka, Toyama, and Konno (2000) assumed that the competitive advantages of successful Japanese enterprises were mostly derived from knowledge creation and constant innovation. Thus, for enterprises knowledge is not only a core competence to cultivate, but also a key element for survival in the marketplace. Consequently, effective knowledge management (KM) has become a crucial issue for businesses (Renzi, 2008), the basic foundation for creating and sustaining their core competence capabilities.

Organizations are now facing both global and local competitions, and thus the top managers should review the internal and external environments in order to understand an enterprise's strengths, weaknesses, opportunities, and threats in formulating their KM strategy (Ndlela & du Toit, 2001). In other words,

entrepreneurial leaders must be able to make good decisions based on limited information in order to develop dynamic core capabilities to better recognize and exploit every business opportunity (Wakefield, 2005). Nevertheless, we do not yet fully understand how managers absorb information and transform it into their own knowledge during their interactions with the external environment. Thus, this study proposes a conceptual framework to investigate how enterprises apply internal knowledge chain activities to gain external knowledge, as well as how they filter, condense, transform their knowledge to enhance sustainable competitive advantages (Chen & Hsiang, 2007). Moreover, through utilizing a knowledge chain model, the impact of customer, supplier, and competitor knowledge on the firm's knowledge are analyzed and demonstrated by means of case studies. The remainder of the paper is organized as follows: Section 2 presents the literature review, while Section 3 establishes and proposes the conceptual framework. Section 4 outlines the research methodology, and Sections 5 and 6 illustrate a detailed discussion of the case studies' findings about customer, supplier, and competitor knowledge, and knowledge chain activities. Finally, Section 7 summarizes and concludes the research findings.

2. Literature review

2.1. Customer knowledge

Rowley (2002) assumed that customer knowledge is an essential intangible asset for any enterprise, because it enables them to regroup and create value. García-murillo and Annabi (2002)

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pointed out that workers should seize every opportunity for interaction with customers so that they can enrich their customer knowledge database. Sheth, Sisodia, and Sharma (2000) indicated that in the 21st century marketing, which used to focus on mass marketing and market segmentation, would transform to a emphasize customer-centered approach. Consequently, an enterprise can gain a thorough understanding of their customers and be more able to fulfill their demands. It is thus important a business to build up an extensive knowledge database, as well as to develop the necessary mechanisms for acquisition, control, and publication of the information it contains (Teece, 2000).

Alba and Hutchinson (1987) considered that customer knowledge could be divided into two parts: (1) familiarity, meaning the amount of experience accumulated by the customers about the products; and (2) expertise, showing the capability of the customer to perform tasks by operating the product. When the customers are more familiar with the service, they will have more confidence or ability to examine the service quality, and then start having expectations about future service quality. Dave (2000) also pointed out that customer knowledge could be divided into familiarity and experience, which both play important roles in determining customers' expectations towards service quality, and Charlene (2000) also supported the idea that familiarity affects customer expectations. Hence, if customers possess knowledge related to the product and service, it will guide or even change their ways of thinking, communicating and behaving. They will also store this knowledge as the standards for evaluating future quality. Thus, in order to strengthen customer relationships, an enterprise should enhance the quality of customer information so that it can gain a much more reliable picture of customer behavior. Furthermore, Wayland and Cole (1997) saw customer knowledge management as a series of effective operations for gaining, developing and sustaining beneficial combinations of customer knowledge and experience. However, only conducting data accumulation and quantitative analyses will not lead to sufficient understanding, because gathering information is merely the initial step of constructing customer knowledge. In other words, customer knowledge management refers to how an enterprise deals with different explicit and implicit matters in customer information, and then extracts and transforms this into strategies which can support its operations and marketing, as well as develop enterprise knowledge value.

Therefore, increased customer interaction is helpful to better absorb customer knowledge. It can also be inferred that both customer and enterprise knowledge have been through the same processes of transforming data into information, and then transforming this into valuable knowledge. Every time we mention KM, the focus is put on internal issues, such as knowledge assembly and sharing, but customer knowledge is focused externally, on the market and customers. Therefore, when an enterprise is collecting customers' personal information, trading data, preferences, and so on, this information should be systematically organized into communicative customer knowledge (Campbell, 2003). However, it should be noted that even though the importance of customer knowledge in process of product innovation has long been recognized, its potential has not been widely researched.

2.2. Supplier knowledge

Gemunden, Ritter, and Heydebreck (1996) indicated that innovative success was obviously connected to a technological network, as well as relationships with the customers, suppliers and others. Grover and Davenport (2001) also assumed that the most significant knowledge is the tacit knowledge which lies in the conversations and interactions with managers, customers, and suppliers. Nonaka et al. (2000) presented a knowledge creation model

based on dynamic interaction among customers, suppliers and the company, and assumed that the company can integrate products, markets, and mental models to create knowledge. They also emphasized exploiting the direct conversations that an enterprise has with its customers and suppliers in order to discover new knowledge from them. Therefore, there should be a reliable channel for all parties in a business can exchange their thoughts and communicate with each other so that an enterprise can more effectively gain the tacit knowledge thus exchanged.

Yeniurt, Cavusgil, and Hult (2005) noted that supplier knowledge is used to assist the decision-making process by linking customer demands with supplier capabilities, so that inventory costs can be minimized. Chen and Su (2006) discovered naturally interrelated, complementary or dependent constituents in company knowledge, including product, customer, supplier, industry, operations and competitor knowledge, of which product and customer knowledge are the most crucial and intricate elements. To provide attractive products that fulfill or exceed customer expectations, companies should know the appropriate customer segment that they are targeting. Moreover, customers are naturally curious about products provided by other companies, so they will evaluate the relative merits of the products they want to purchase by considering others that are available. Consequently, a company should apply the right operation tactics, supplier chain management and competition strategies in order to offer the right product to customers (Zablah, Bellenger, & Johnston, 2004). This suggests that customer knowledge management must be conducted along with other components of company knowledge in order to exploit the synergies inherent in any organizational collaboration.

Supplier participation in the initial stages of developing a new product has a significant influence on the successful outcome of the project. In the initial stage of product development, if it is possible to apply the relevant marketing strategies to ensure the opinions of the customers and suppliers are considered by the enterprise, then it is also possible to be involved in the design process in order to enhance the product development and reduce the time required for research (Choy, Tan, & Chan, 2007). The suppliers' knowledge of design and manufacturing should thus be utilized by any firm that seeks to ensure the competitive advantage of a new product. Therefore, similar to that derived from customers, supplier knowledge should be included in the market knowledge. This knowledge is expected to have a positive impact on firm performance by constituting a competitive advantage in the marketplace (Barney, 1991).

2.3. Competitor knowledge

For a global industry, the competitive position of a country relies on the relative strengths and weakness of other countries (Porter, 1980; Zou & Cavusgil, 2002). Furthermore, organizations that wish to set out a global strategy are faced with both foreign and local competition. However, companies often benefit from competitors as sources for benchmarking and transfers of best practices (Drew, 1997). Hence, competitor knowledge is composed of the key capabilities of rival firms. Moreover, the amount, timeliness and accuracy of competitor intelligence determine the ability of one company to respond to competitive moves on a global scale. Similar to customer knowledge competence, competitor knowledge competence means the ability to acquire, interpret and integrate information about the global competitive environment. Competitor knowledge is therefore one of the market knowledge competencies required in order to achieve success in the marketplace, on that that is expected to have a significant positive impact on company performance (Kohli & Jaworski, 1990). Therefore, managers should have thorough understanding about their competitors, as well as staying vigilant to identify both threats and opportunities in the marketplace.

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