

Full Length Research Paper

Sustaining competitive advantage through effective knowledge management

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Knowledge utilization to achieve competitive advantage is not only a source of creating critical success factors but nurturing core competencies as well. In order to stay, competitive organizations have to be fully aware of customer preference, trends and changing needs. This flexibility of any organization can help attain competitive advantage by adapting to changing environment and maintaining it. The real life example of marketing strategy by sportswear giants Adidas and Nike show how effective knowledge management can help achieve organization goals.

Key word: Knowledge management, competitive advantage, customer preference, flexibility, strategy, PICS model, world cup 2010.

INTRODUCTION

Knowledge and its successful usage have been at the center of research scholars' interest for the last two decades. Knowledge is one of the key critical success factors for formulation of any organization's strategy. The decision on type of knowledge that is important for an organization should be decided through its mission and strategic objectives. Knowledge Management (KM) is an effective strategic instrument, to devise different decision making strategies (Carnerio, 2000). Organizations need to replenish their knowledge resource regularly for competitiveness (Harrison and Leitch, 2000). The availability of information and product options are bringing out creativity in managers and effective utility of resources as part of changing strategy.

The alternative strategies help with ever changing environment. The utilization of environmental knowledge can create competitive advantage (Carnerio, 2000). The

conversion of human knowledge into organizational asset transforms that knowledge resource through management strategy to achieve organizational goals and objectives. Operational effectiveness and strategy are both pre requisites for superior performance, which is the aim of any organization. Competitive advantage develops out of the total system of activities. The fit among activities either significantly lowers cost or increases differentiation. Competitive strategy is all about carrying a different approach than your competitors (Porter, 1996).

Christensen (2010) described strategy as the plan management implements. If it is managed smartly, goals will be achieved as planned, otherwise results will be different. A company can outshine competitors only if it can create a difference that it can sustain. It must deliver better value to customers or establish comparable worth at a lower cost or perform both. Malhotra (2003, 2005: 66) thoughtfully summed up the international business environment as, "radical discontinuous change". The knowledge is managed through human and in ever changing scenario, if processes are aligned with strategy and knowledge has been properly utilized the end result

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will be just what the organization set out to achieve.

In the changing environment, being flexible is another critical success factor. This quality can be used to obtain sustainable advantage as well as offer alternatives as per customer preferences. The soccer world cup of 2010 provides real life example, where Nike got twice the online business buzz than arch rivals Adidas, due to smart usage of knowledge about consumer preferences, and readjusting strategy in an effective manner (Ofek, 2010).

Literature review

Davenport and Prusak (1998), Malhotra (2003), Ritchie (2000) and Zack et al. (2009) have all reached consensus about culture playing a positive and encouraging role in knowledge learning, sharing, and contribution. Malhotra (2003) firmly believes that to be successful a firm needs to develop a knowledge culture. Zack et al., (2009) suggest that to motivate and increase employee commitment, they not only need job security but performance outcome benefits as well. This will lay foundation of culture where they will continuously use, share and apply the organizational knowledge resource for personal and collective benefit. The employees feel free to learn, share create and utilize that knowledge in all processes and at all levels. Malhotra (2003) says a knowledge culture will quickly adopt to change. The only thing that is certain is change. He says this will be a mark of prosperous organizations of future. In today's evolving environment organizations that quickly adopt change and take effective decisions will not only be successful but ahead of competition.

Culture is an organization's encouraging and strong aspect (Ritchie, 2000). It inspires employee motivation and devotion. Culture encourages employee to perform productively. Management needs to realize the significant relationship between knowledge culture and monetary results. Zack et al. (2009) say that culture has impact on organization's performance. Those who accept the importance of such culture not only give value to their employee inputs but also offer incentives to sharing knowledge. This creates an atmosphere for effective execution of KM systems.

Lang (2001) emphasized that intellectual capital (IC) is the main factor in knowledge formation. She persisted that, "knowledge is both produced and held collectively rather than individually in knit groups, or communities of practices." KM is a pyramid of IC, methods and process (Malhotra, 2003). IC is the major component in KM. The employees should be trained, provided incentives and given security of job. They should not only be involved, but given authority for decision making as well for

successful knowledge management (Chong and Choi, 2005). Humans and processes are important for knowledge management. Processes are developed by humans and it is crucial that input of all stake holders should be taken in devising strategy (Malhotra, 2003, 2005). The desired results will not be achieved if integrated approach is not adopted (Weber, 2007). Organizational knowledge has to be updated continuously to stay competitive. This will bring revision in strategy and processes that help in sustaining competitive advantage (Hamid, 2008; Weber, 2007).

In today's rapidly changing environment, sustainability of competitive advantage depends upon the effectiveness of decisions. The strategic approach should be, doing the right thing that is effectiveness, instead of doing things right meaning efficiency driven approach. It is known fact that efficient approach without being effective will not achieve success (Malhotra, 2005). It is advised by (Malhotra, 2003) that success belongs to those who use knowledge before their competitors, and make it obsolete before they can use it.

CONCEPTUAL FRAME WORK MODEL

Wiig et al. (1997), Muller and Raich (2005), Chong and Choi (2005), Keramati and Azadeh (2007), Jadoon and Hasnu (2009), Zack et al. (2009), Heisig (2009), and Minnone and Turner (2009, 2010) have identified as important namely, culture, intellectual capital (human), processes and strategy in KM. The PICS model (Figure 1) developed by Bhatti et al., (2011) is based recommendations of previous researches. Bhatti et al., (2011) recommend the integrated effect of strategy, IC, culture and processes with input of all stakeholders will bring intended results. A sharing culture has to be developed where employees interact and share freely. Processes and strategy are interrelated and one is driven from others (Kiraka and Manning, 2005).

The sharing culture is developed by providing encouragement, security and incentives to the employees. They will learn share and exchange knowledge once the fear factor is removed. The input of middle management should be taken into account while devising strategy, since they deal with customers and have greater awareness about the trends and preferences than the top management. The changing preferences and trends effect the strategy and the more an organization updates its, the more equipped it will be to face competition. It is required in the changing environment to convert knowledge into organizational strength and making it a core competency (Zárraga-Oberty and De Saá-Pérez, 2006). The timely and strategically intelligent use of

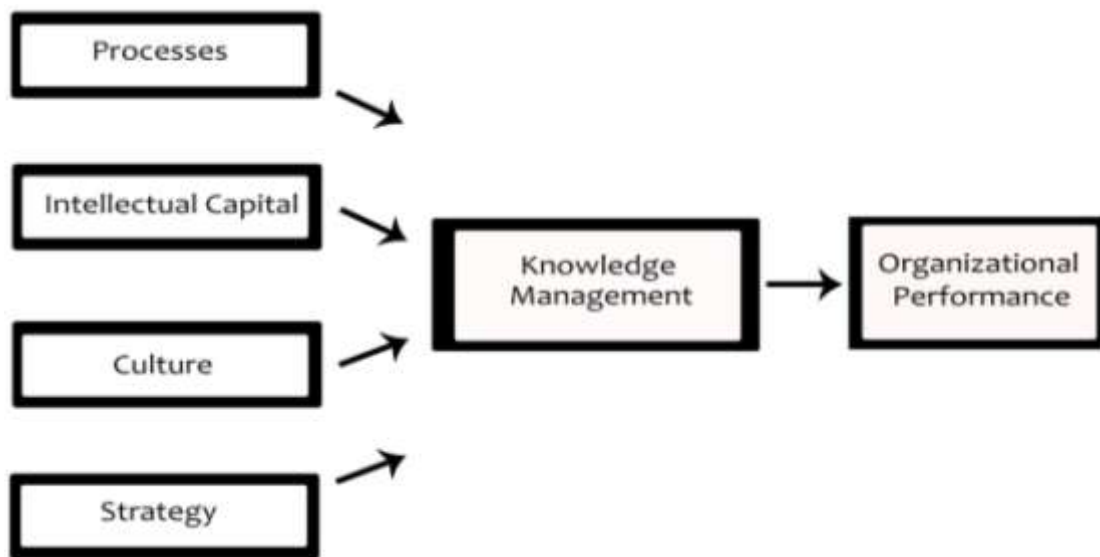


Figure 1. PICS Frame Work Model (PICS).

knowledge before competitors will be positively productive in achieving goals of the organization (Malhotra, 2005).

DISCUSSION AND MANAGERIAL APPLICATION

Nike - the leading international sportswear and sports shoe manufacturer grew from a humble beginning in late 60's to a multibillion dollar organization in forty years (StoneHouse and Minocha, 2008). The success story has a strong teamwork and continuous knowledge up gradation with the consumer preferences, needs and markets trends. They have developed a system of continuously updating environmental information and all management tiers getting its feedback. The strategies are planned and readjusted accordingly. They have the biggest share of running shoe market in USA (StoneHouse and Minocha, 2008). They recognized the consumer trend in running shoe market, upon arrival of ipod.

They joined hands with Apple in 2006 and launched a digital sports kit along with running shoes in USA. A sensor was attached to the shoes and a wireless receiver attached to ipod. As you jog and listen to music, sensor will record your speed, distance covered and the calories burned and transmit the information in real time to ipod. The same information can be uploaded online to www.nikeplus.com for your record to track the performance. Individual user can specify and set his personal goals and also share that information on face book and twitter (Ofek and Wathieu, 2010).

Banking on the success of the digital kits and in order to counter the shutout sponsorship strategy of Adidas in FIFA World Cup 2006, Nike decided to take the online approach to attract customers. The developing online social networking trend prompted Nike to collaborate with Google and came up with www.joga.com, a social networking site for soccer fans (Ofek, 2010). The word joga bonito comes from Brazilian language which means play beautifully, online network was expected to attract millions of customers and make a big splash in the market.

However the online user response was lukewarm, they learned from the experience that online users wanted not just to sit idle but have free space to do and interact at will. Nike did fine business-wise due to the success of a puma sponsored team in the world cup final and not Adidas sponsored.

As defined by Porter (1996), strategy is, "creating fit among a company's activities." While operational effectiveness is about attaining superiority in activities, or functions, strategy is about merging activities. Strategic fit among many functions is basic not only to competitive advantage but also to its sustainability. Positions built on coordination of functions are much more sustainable than the ones developed on individual functions.

Nike revised their strategy and marketing campaign for the World Cup 2010 knowing they would again be up against the shutout strategy of Adidas. Adidas had secured the official sponsorship of tournament, uniforms for referees and 12 out of 32 teams. Nike learned from 2006 experience that social networking was in vogue but

developing a network would not be enough, as Nike received below expectation response. You need to involve the user in active role, allow them space to customize as per preference and personal likes (Ofek, 2010). They developed a page on face book, which had two attractions for the online users. They created an advertisement of three minutes about top players if they were going to make or break at a critical moment of game and how their future would be. The user was given the tools to change the ad and it was available for peer reviews. The second attraction was "write a phrase" about their favorite player and that phrase with highest peer appreciation was displayed on the 4th highest building of Johannesburg that can be seen from a distance of 2.5 km (Ofek, 2010).

The interactive opportunity gave Nike the response they were looking for in 2006. They learned from their experience and revised their strategy which produced the desired results. The online advertisement was seen by over 20 million people, within the first five weeks of its launch. According to Nielsen survey that tracked brand buzz, till mid June, Nike had twice the world cup related online buzz than their arch rival Adidas (Ofek, 2010).

The online user wants to be the first to know new things and then let his peers know about them. Marketing department at Nike took the same into account and for this world cup when they launched Mercurial Vapor Super Fly II shoes, customers were not paying just for shoes. Customer was given a unique code that once entered online unlocks a comprehensive training program. The program was developed with the aid of world's top soccer coaches and players to improve individual game. This program can be downloaded into iphone, blackberry or any web enabled handset through an application (Ofek, 2010). The customer is not only buying a pair of shoes, costing \$300 or more, but a service that helps him become a better player as well.

This is a practical example of, knowledge of changing consumer preferences, utilizing that knowledge effectively through innovative strategy, making quick adjustments in strategy on not so successful outcomes. In the above mentioned example, a revised strategy was adopted to achieve desired objectives. This will usher in a new wave of victories in the global market for Nike.

CONCLUSION AND FUTURE RESEARCH

The process of knowledge development is a planned, systematic and integrated approach to improving the effectiveness of human element of the knowledge management (Edvinsson and Malone, 1998).

This is what Malhotra (2005) advocates, taking effective advantage of knowledge before our competition does.

Nike (Ofek, 2010) has set an example for all those firms who want to capitalize on new hot trends. They used the technology and consumer preferences in a strategically successful manner and ahead of their competitors. Nike reached consumers not only in an innovative manner but also gave them a trend setting service which can now only be imitated by competitors. The implementation of knowledge management in an integrative approach brings forth the strategy of the firm through the company process in a well jelled manner producing the expected results.

In the light of discussion of the fact described in the available literature the researcher concludes that the sharing culture is developed by providing encouragement, security, and incentives to the employees. They will learn share and exchange knowledge once the fear factor is removed. The researcher also suggests the active participation of middle management in developing a knowledge culture. The middle management can help in devising a compatible knowledge strategy for the organization.

The future research should study the effects of different socio-cultural environments on knowledge management. It should also be studied from multiple perspectives. The empirical research on this aspect would advance our understanding of the contributions of knowledge management on competitive advantage and organizational performance on a different industry and region of the world.

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