Abstract

With the emergence of the knowledge economy, organizations are beginning to see a need to apply knowledge management (KM) practices to their business activities. While knowledge management (KM) has gathered considerable momentum to be a vital source of competitive advantage, how its role could harvest knowledge assets for innovation has yet to be firmly established. This chapter aims to address this issue by examining how innovation can be fostered through knowledge-centered principles. It first describes the globalization of economies and the coming of the new knowledge age as the backdrop to Singapore's vision of transiting into a knowledge economy. Then it discusses how knowledge management (KM) practices can be harnessed better for innovation management and explains why organizations should foster innovation by adopting an evolving set of knowledge-centered principles. Next, based on the case of Singapore Airlines (SIA), it provides a theoretical review of these principles. Finally, it outlines the future challenges of exploiting knowledge for innovation.
Background

Globalization of Economies

The world today is far more interconnected and interdependent than before. As globalization speeds up and cross-border barriers between nations are dismantled, economic development will depend less on physical resources and more on developments that require nations to be more global in their approach to trade and investment activities. Coupled with the fast pace of technological advancements, national economies not only have to be global in order to stay competitive, but they also have to be ready to embrace the demands of innovation (Giget, 1997; Goh, 2002; Grossman & Helpman, 1992). This inadvertently has placed immense pressure on emerging economies to accelerate the process of innovation through knowledge acquisition and application. If the experience of some developed nations that went through such a wave of economic globalization could offer some insights, then a sea of change in employment trends, industrial transformation, and economic revolution should be expected in Asia’s emerging economies. Three phenomena seem imminent: (1) outsourcing of transportable jobs to countries offering the most competitive labor cost is now a ubiquitous trend; (2) migration of existing industries up the value chain to new knowledge-intensive ones is increasingly prevalent; and (3) economies are forced to respond to rapid technological changes and constant industrial renewal in order to remain competitive and relevant.

In Asia, a new economy termed knowledge economy has arrived (OECD, 1996). Organizations are pressured to be knowledge-intensive in their activities. As advanced technologies proliferate and new products become obsolete faster than before, organizations that are able to capitalize on opportunities arising from the availability of knowledge assets and derive the most value from them will be the industry winners, while those who cannot will be the industry losers. Since innovations constitute the embodiment of knowledge assets in new products and services, innovation pursuits are centered on leveraging the value of knowledge. Corporate leaders thus are taking a keen interest in effective means of harvesting knowledge to foster the pursuit of innovation and are differentiating themselves from competitors based on new management initiatives (Malhotra, 2001; Nonaka, 1991; Skyrme, 1991). This is fast becoming pervasive in today’s knowledge-intensive enterprises and soon will be mandatory for the economic survival of all organizations.

Emergence of Knowledge Economy: Singapore’s Opportunities

In less than one century, the world has gone through several stages of economic transformation—from agricultural economy to industrial economy, then information economy, and now, the knowledge economy. Economists have argued that national economies as well as advocates of centralized planning should attribute their economic problems to the utilization of knowledge and not on the allocation of resources. Strong evidence also exists to support that economies, which are poor in natural resources but skilled in knowledge creation and utilization, generally outperform those economies that have abundant natural resources but are lacking in knowledge competence and skills. Knowledge has emerged as the primary