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Chapter XIII

The Role of Knowledge Creation in Competitive Advantage

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ABSTRACT

The ability of an organization to better utilize its current stock of knowledge or position itself to identify opportunities to create knowledge faster than its competitors is key to increasing organizational wealth. Knowledge can be defined as that core asset that adds wealth to an organization and when properly implemented, results in new or improved products or services. Opining on the core competency model (Hamel & Prahalad, 1994) and on the concept of intellectual bandwidth (Nunamaker et al., 2001), the author suggests that an organization can enhance its performance and increase its competitive standing by making a careful assessment of its intellectual bandwidth for knowledge creation. In this chapter, the key enablers that influence the level of knowledge creation that occurs within an organization are identified. The chapter lists the organizational characteristics that will help ensure the high level of intellectual bandwidth needed for knowledge creation.

Introduction

“Knowledge [is] the new resource for economic performance...” (Drucker, 1994, p. 11)

In a world where knowledge is power, the ability of an organization to better utilize its current stock of knowledge or position itself to identify opportunities to create knowledge faster than its competitors will result in increased organizational wealth. Davenport and Prusak (1998) contend that organizations that are first to acquire and use new knowledge will gain a competitive advantage. To maintain this competitive advantage, however, the organization must be able to continually absorb new knowledge and employ this knowledge in new or innovative ways.

The organization must be able to recognize changes in the environment that require new knowledge; therefore it must engage in scanning activities, both internal and external. The organization must also be flexible in order to respond and exploit these new opportunities (Cohen & Levinthal, 1990). It must be capable of applying this knowledge, thereby helping to ensure that it will gain a competitive edge or maintain its competitive standing (Cohen & Levinthal, 1990; Kogut & Zander, 1988; Zack, 2003). This requires that the organization be in a state of continual learning.

This chapter explores an organization's ability to create knowledge and increase its competitive standing. The intellectual bandwidth for knowledge creation model is presented and the key enablers that make up this model and influence the level of knowledge creation are examined. The author suggests that an organization can enhance its performance and increase its competitive standing by making a careful assessment of its intellectual bandwidth for knowledge creation.

Background

Knowledge is often thought of as the end state along a continuum from data to information to knowledge (Grover & Davenport, 2001). It is often hard to give a concise definition of knowledge, as noted by the following characterizations.

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