



## **Chapter 15**

# **The Innovation Link Between Organisation Knowledge and Customer Knowledge**

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*The knowledge economy is the future. Organisations need to harness their knowledge and put it to advantage if they are to survive in the new age. Innovative approaches to the market place through the products and services offered will become critical for survival. While some of the knowledge they need is held within the organisation's systems, it also resides in employees and customers. Linking that knowledge together will provide an innovative approach to the future.*

*Research was carried out to identify whether organisations recognise, and utilise the knowledge of their customers. It is important to identify whether they analyse the information gathered about their customers, and whether they value their customer relationships. The potential to be innovative is considerably enhanced when the accumulated knowledge of organisations, and their customers is brought together for the purpose of providing satisfaction and success in the future for all those involved. The way of the future is to link knowledge and become innovative.*

## **INTRODUCTION**

The knowledge economy is being heralded as the “new age” and for organisations wanting to move forward, and to survive in a highly competitive

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environment, embracing the knowledge economy will be critical. By their very nature organisations are repositories of knowledge. Employees have a great deal of knowledge about the organisation and its operations, and a large amount of knowledge is held by the organisation in document form by virtue of regulatory requirement and general operation. Customers too are a valuable source of knowledge about the organisation and its products and service, but it is a source that is not always recognised.

Innovation springs from the knowledge employees have and their interaction with others. Sharing knowledge involves everyone who has something to contribute to the organisation, and this includes customers. It is the collective knowledge of all those involved, internally and externally, which spawns innovation. Using that knowledge in an innovative way will enable organisations to grow and survive in the future.

## **KNOWLEDGE AND THE ORGANISATION**

Traditionally, the focus of organisations has been based on land, labour and capital but over recent years, attention has been drawn to the value of knowledge as a very important economic resource. In their quest for a means of survival in an environment that is rapidly becoming more competitive, organisations will be looking to knowledge to provide the means of success (Nonaka, 1991; Drucker, 1994; Demarest, 1997; Teece, 1998).

Knowledge is a resource that organisations do not appear to fully recognise as providing the means through which they can meet future competitive challenges. While knowledge is accumulated in organisations it is not harnessed in a way that will provide benefit. Each employee has an individual knowledge bank acquired as a result of education, skills and competencies developed over time, along with life experiences. The longer they work in an organisation the greater the knowledge they acquire about the organisation, its products, and its customers. The organisation also has a repository of knowledge through its documents, processes and routines (Marshall, Prusak, and Shpilberg, 1996; Demarest, 1997; Jordan and Jones, 1997; Fahey and Prusak, 1998). Marshall et al. (1996) point to the volumes of information sitting in organisations, and Evans and Wurster (1997) identify every business as being an information business. Questions arise as to why this information is not put to use, and it may simply be there is a lack of knowledge to interpret it to provide possible opportunities.

According to Kanter (1996: 94) “Structures and practices that may work well for the perpetuation of the known tend to be at odds with innovation.” The organisational environment is therefore important if innovation is to occur. It is known that there is knowledge within the organisation but it needs to be stimulated

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