

Implementing and Leveraging Knowledge to Achieve and Maintain Competitive Advantage

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Executive Summary

Competitive advantage has long been the objective of every business organizations. Knowledge, as one of the resources that organizations may possess, has also long been discussed as one factor in achieving competitive advantage. However, can organizational knowledge really be a resource that provides a firm with a competitive advantage?

This essay concluded that possessing the knowledge itself is not sufficient to create competitive advantage. There are four more important issues for organizations in order to use its knowledge for achieving competitive advantage.

First, organizations must possess better knowledge compare to its competitor to achieve competitive advantage (Day and Wensley, 1988). Second, organizations must have both technical knowledge and external knowledge to ensure success in creating competitive advantage (Ghingold and Johnson, 1998). Third, organizations must optimally exploit the knowledge to an extent that the organization can experience cost leadership, or create differential advantage or find niche market to achieve competitive advantage (Ghingold and Johnson, 1998). Fourth, the knowledge must be leveraged across the organization to maintain sustainable advantage to its competitor (Bender and Fish, 2000).

Introduction

The objective of every business organization is to achieve and sustain competitive advantage. However, competitive advantage can only be achieved when the resources or capabilities of an organization are scarce and relevant to its business (Grant, 2005). Knowledge, as one resource that organizations may possess, can also be an important factor in creating competitive advantage to the organization.

Scarcity and Relevancy of knowledge to its organization

Teece's article described beautifully of how knowledge can be so difficult to imitate. The facts that knowledge's behavior can be tacit, non-observable and interdependent make its transfer cost so high, if not impossible (Teece, 1998). This shows that knowledge, if treated carefully by the organization, proved to be scarce resource to the industry.

Intellectual property rights also protect organization from imitation (Teece, 1998). This way, organizations can be protected from its competitor from imitating the knowledge it possesses. Hence, by possessing intellectual property rights, knowledge that the organization possesses will be even scarcer to the industry.

Knowledge can lead an organization to create low cost product or differentiated product or find niche market. However, it is important for the organization to have better knowledge than its competitors so that the organization can have the advantage in the competition (Day and Wensley, 1988). Therefore, possessing better knowledge than the competitors is very relevant to the organization to achieve competitive advantage.

An important issue in possessing knowledge is that the organization must contain both technical knowledge (e.g. know-how technology) and external knowledge (e.g. capturing market needs) in order to create competitive advantage (Ghingold and Johnson, 1998). It is not sufficient to have only one of the aspects. A company with only technical knowledge may know how to make a superior product but it will not be able to sell its products efficiently. Vice versa, a company with only external knowledge may know the needs of its markets but it will not be able to create the products efficiently. Therefore, it is mandatory for an organization to possess both aspects of knowledge.

However, possessing the knowledge is only half way to achieving competitive advantage. Without actually realizing it into business activities, knowledge will not sufficient to give the organization objective it pursues.

Implementing and leveraging the knowledge are the keys to competitive advantage

Implementation of knowledge is the other half way to realizing competitive advantage (Ferguson et al, 2005). The knowledge must be exploited to an extent that the organization may produce lower cost outcomes or superior customer value outcomes compare to its competitor (Ghingold and Johnson, 1998). Failure to do so, the organization will never achieve its competitive advantage. To avoid this risk, the organization must stay focused in aligning its implementation with its business strategy (Porter, 1985).

Leveraging knowledge across the organization is also important. Since knowledge is a tacit resource, keeping the knowledge intact is top priority to the organization. Whenever it loses experts, the organization may risk losing the competitive advantage as well. By leveraging knowledge, the latency of this risk will be reduced (Jarrar, 2002). Furthermore, by sharing the knowledge across the organization, the benefits of using the knowledge will also be amplified and the efficiency will increase (Bender and Fish, 2000). As a result, leveraging knowledge will increase the superiority of the organization to its competitor and maintain the competitive advantage.

Conclusion

As a conclusion, possessing knowledge itself is not sufficient for organizations to achieve competitive advantage. There are four more important issues for organizations in order to use its knowledge for achieving competitive advantage.

First, it can be argued that knowledge can be scarce and relevant to its organization (Teece, 1998). Possessing better knowledge will lead to more effective management and superior outcomes. Hence, possessing better knowledge is the first step for organizations in their quest to achieve competitive advantage (Day and Wensley, 1988).

Second, organizations must have the complete set of knowledge to ensure its success in creating competitive advantage. Organizations must have both technical knowledge (e.g. technological know-how) and external knowledge (e.g. capturing

market needs) together (Ghingold and Johnson, 1998). By possessing these aspects, organizations will have sufficient information to pursue its competitive advantage.

Third, the next step is to optimally exploit the knowledge and use it so that the organization can either experience cost leadership, or create differential advantage or find niche market (Ghingold and Johnson, 1998).

Fourth, the knowledge must be leveraged across the organization to amplify the benefits. Therefore, it may increase the superiority of the organization and maintain sustainable advantage to its competitor (Bender and Fish, 2000).

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