Leveraging Knowledge for Innovative Brand Development

By

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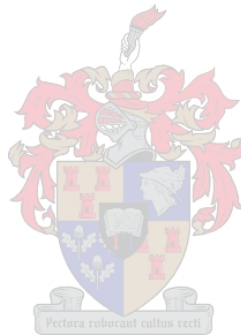
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Declaration

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and has not previously in its entirety or in part been submitted at any university for a degree.

SIGNATURE: …………………………….

Camilla Olga Costa

DATE: …………………………….

Acknowledgements

It was once said about Isaac Newton: 'if he saw further than others, it was because he stood on the shoulders of giants (Schwenk, 2002).

My vision may not equal Newton's, but my gratitude to all those who have played a part in the completion of my study, and have been the giants' shoulders I have stood on, certainly does.

My gratitude goes to Professor Leibold for his enthusiasm, guidance and inspiration and to my loving family and special friends for their understanding, encouragement and faith.

Abstract

It has become evident that the knowledge-driven, innovation economy supercedes the industrial era at the beginning of the 21st century. Within this environment characterized by innovation and the emphasis on brand owning companies, successful organizations will be those that transform information into value-creating knowledge and dynamically leverage the knowledge to innovate and capture additional customer value. In contrast to an emphasis on traditional tangible assets to explain organizational success, recent strategic management literature focuses on intangible resources, viz. intellectual capital. Knowledge-empowered customers are driving many innovations in this environment, and consequently, value innovation shifts relatively from the supply chain to the demand chain in business value systems, with focus on brand equity development.

The encompassing challenge that companies face in this new environment is how to identify and leverage all sources of value. These important assets include, among other factors, brands and the knowledge residing within the consumers' mind. Due to the significant shift towards knowledge-networking and outsourcing of many organizational activities, it is increasingly incumbent to incorporate and integrate knowledge residing outside the borders of an organization. However, the potential value of brand building efforts will not be realized unless proper knowledge management practices, systems, approaches and tools are put into place within the organization to capitalize on the concept of knowledge-enhanced brand equity. Accordingly, firms require a framework or model to illustrate the leveraging of knowledge for innovative brand development and management.

This study provides an in-depth overview and synthesis of knowledge and brand management literature concerned with the symbiotic relationship between the utilization of knowledge and innovative brand development. A preliminary conceptual model to demonstrate the relationship between brand equity and knowledge-based is proposed.

Opsomming

Die industriële era van die 20ste eeu is deur 'n kennisgedrewe, innoverende ekonomie verbreed vanaf die begin van die 21ste eeu. Binne sodanige omgewing, wat gekenmerk word deur produk (waarde) innovasie en die opkoms van handelsmerk-gedrewe ondernemings, sal suksesvolle organisasies diegene wees wat inligting transformeer tot waardeskeppende kennis, en dié kennis as dinamiese hefboom gebruik om addisionele rykdom te skep en te behou. In teenstelling met die beklemtoning van tradisionele tasbare bates om organisasiesukses te verklaar, fokus onlangse strategiese bestuursliteratuur meer op ontasbare hulpbronne, naamlik kennis en intellektuele kapitaal. Ingeligde kliënte dryf innovasie en gevolglik skuif waarde innovasie relatief vanaf die aanbodsketting na die vraagketting in besigheidswaardesisteme, met die fokus op handelsmerksontwikkeling.

Die uitdaging wat maatskappye in die gesig staar in hierdie nuwe omgewing is hoe om alle bronne van waarde te identifiseer en nie net die bates wat op die tradisionele balansstaat verskyn nie. Hierdie belangrike bates sluit onder andere in faktore soos handelsmerke en verbruikerspersepsies. Die organisasies wat suksesvol hierdie ontasbare bates skep en voorsien, en die hefboomwerking gebruik in die skepping van nuwe besigheidsmodelle, is dié organisasies wat die meeste waarde vir hulle aandeelhouers skep. Dit is toenemend noodsaaklik om kennis van buite die organisasie te inkorporeer en te integreer. Ondernemings benodig 'n raamwerk of model om die voordelige gebruik van kennis vir innoverende handelmerkontwikkeling en –bestuur te fasiliteer.

Hierdie studie voorsien 'n in-diepte ontleding van kennisbestuurliteratuur en handelsmerkbestuurliteratuur, en dui veral op die verband en samehang tussen kennisbenutting en inoverende handelsmerkontwikkeling en –bestuur. 'n Voorlopige konseptuele model om die verband tussen die handelsmerk- en kennisbestuur te illustreer, word voorgestel.

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Chapter 1: Introduction

1.1 Background

It is generally perceived that the prevalent knowledge-driven, innovation economy has presented organizations with an abundance of opportunities to reframe their thinking about how their companies function, what they value, the anatomy of their assets and how they create the capabilities and value required (Leibold, Probst and Gibbert, 2005). These benefits create further opportunities for effective performance, enabling an organization to meet rapidly changing market demands and to remain sustainable, as an enterprise (Leibold et al., 2005).

Concomitant with the emergence of this knowledge economy and increased popularity of knowledge management, organizations widely acknowledge their intangible assets as key to its ability to create and sustain a competitive advantage (Saint Onge and Wallace, 2003). Wealth creation increasingly depends on leveraging intangible resources and less on the tangible reserves of land, labour and capital (Abraham and Knight, 2001). Furthermore, competitive advantage is inherent in innovation and knowledge creation, rather than access to financial or material capital (Preiss, 1999).

Traditionally, the industrial age thinking has dominated organizations to value their commercial enterprises according to their financial resources, property holdings and other tangible assets (Lang, 2001). Although the financial statements of most enterprises reflect the value of these visible, tangible assets to maximize shareholder value, presently, numerous listed companies are valued at many times their book value, i.e. the financial capital (Lang, 2001). In 1980, the Dow Jones Industrial Average (DJIA) reflected market values due to intangible assets at virtually zero (Davenport, Leibold and Voelpel, 2006). A mere 25 years later, the proportion of economic value attributable to the innovative capacity of intangible capital in business has increased to eighty percent of market values as reflected by the same index (Davenport et al., 2006).

According to Knell (2000, p. 1), "the new economy is the intangibles economy". In a recent publication under auspices of the Industrial Society, titled *Most Wanted: The Quiet Birth of the Free Worker*, this author writes:

> "Governments are urging businesses to become more competitive by exploiting the distinctive capabilities of knowledge, skills and creativity. Intangible assets, especially human capital assets – which five years ago would not have been considered significant enough to measure – now account for up to eighty per cent of the value of large companies, according to a 500-corporation study. When IBM acquired Lotus for $3.2 billion, it estimated the research and development (R&D), mainly ideas in people's heads, to be worth $1.84 billion."

Lang (2001) asserts that immense value hidden within the traditional financial statements of the organization can be found in the intangible assets that Kluge, Stein and Licht (2001) delineate as to include, among other things, customer relationships, patents, brands, special skills and superior supply chains. The authors elucidate that these aspects closely relate to the knowledge of customers, of products and of technologies.

Business practitioners and academics accredit knowledge as one of the most important sources of innovation and new customer value proposition, emanating from individual, organizational and communal knowledge creativity and utilization (Leibold et al., 2005). Although knowledge may often be misunderstood, its importance is not to be under-estimated, as knowledge is fast becoming the most important form of global capital (Burton-Jones, 1999). Knowledge management pioneers Tom Davenport and Larry Prusak propose that "…the only sustainable advantage a firm has comes from what it collectively knows, how efficiently it uses what it knows, and how readily it acquires and uses new knowledge" (Davenport and Prusak, 1998, p. xv).

As stated by Bahra (2001), the central premise behind knowledge management is that all the factors that lead to superior performance such as organizational creativity, operational effectiveness and quality of products and services, are improved when better knowledge is made available and used competently. In addition, organizations can exploit and develop their traditional visible resources better and differently than competitors by leveraging superior intellectual resources (Davenport et al., 2006) as it is not the learning and the knowledge that is decisive, but what the knowledge allows a company to achieve that yields a competitive advantage (Porter, 1997).

Due to the emerging emphasis on knowledge, consumers in the knowledge-intensive, innovation economy are seeking individualized and customized products with added value and a service orientation (Davenport et al., 2006). Products are no longer merely goods with utilitarian values but represent symbols, signs, images and statements of difference, a symbolic meaning that is created, reinforced and sustained (Lowson, King and Hunter, 1999). The value of products becomes less their ability to satisfy primary needs and more the function within society, as is illustrated by the example of the survival of what were originally designed as working class overalls to designer Levis jeans (Lowson et al., 1999).

In light of the above, organizations have shifted from a goods-dominant view, in which tangible output and discrete transactions were central, to a service-orientated view, in which intangibility, exchange processes and relationships are central (Vargo and Lusch, 2004). A company's relationship with its customer is seen as an asset (Lang, 2001) due to an organization collaborating, defining and co-creating value with the consumer (Vargo et al., 2004). Eminent knowledge from all members of the value chain is accordingly leveraged to create value propositions for the consumer and gain competitive advantage (Vargo et al., 2004).

Walters (2004) delineates that the management of intangible assets differentiates the physical product and improves consumer appeal of a product through a 'brand promise', that analogously increases customer perceptions of

the benefits received and thereby customer satisfaction. Competition in the innovation economy is increasingly characterized by the rapid emergence of brand-owning companies that devote their energies to organizational and strategic fitness, to create and meet customer need experiences and to drive value innovation in business processes across supply and demand chains (Davenport et al., 2006).

Ballou (2004) defines a supply chain to encompass all activities associated with the flow and transformation of goods from the raw materials stage through to the end user, as well as the associated information flows. The management of an organizational supply chain involves the integration of all activities, from supplier to consumer, necessary to produce a product or service efficiently and effectively, resulting in added value (Coyle, Bardi and Langley, 1996). A generic organizational supply chain is depicted in figure 1.
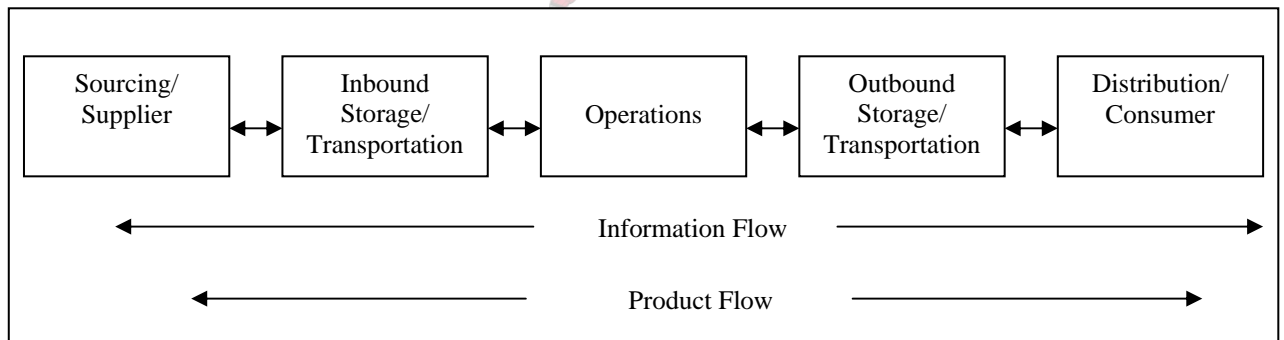
Figure 1: Integrated Supply Chain

Adapted from Coyle et al. (1996).

Initially, value creating systems consider customer expectations followed by a consideration of the capabilities, assets and other resources required to meet customer value drivers or exceed them, expressing a shift in which the focus of organizations has shifted from the inward-out perspective to an outward-in, customer focus (Walters, 2004). Walters and Rainbird (2004) position the customer at the end of the chain and suggest that created higher value occurs as the chain improves service performance to the customer. Consequently, organizations increasingly focus their attention on the demands of the consumer, i.e. the organization is focused rather on the end of the supply chain

towards the consumer, and the processes are altered to pull the product through the chain whereas, traditionally, the product was pushed through the chain in an attempt to equalize supply and demand from large reserves of stock (Vogt, Pienaar and de Wit, 2002).

A demand chain, defined as a complex web of business processes and activities that help organizations' understand, manage and ultimately create consumer demand, possesses a large amount of unique consumer knowledge that can be tapped into and leveraged to create, capture and sustain value (Walters et al., 2004). Enterprises are recognizing the importance of this knowledge in managing demand chains of the future (Lummus and Vokurka, 1999), as well as leveraging and utilizing customer knowledge and value chain partner knowledge for appropriate innovation (Davenport et al., 2006). It is incumbent for an organization to implement plans to capture the knowledge of consumers and decide how it will translate the information into improved business decisions (Lummus et al. 1999).

The value chain model by Porter (1985), depicted in figure 2, proposes the value chain as a guide or tool for identifying different means to create value for the ultimate consumer. The value chain model identifies nine strategically relevant activities that create value. These nine activities consist of five primary activities and four support activities. The primary activities represent the sequence of procuring materials (inbound logistics), converting them into a final product (operations), shipping the final product out (outbound logistics) and marketing and servicing the product (Kotler, 2003). An organization's value chain is regarded by numerous authors as a process to delivering customer satisfaction as is stipulated by the ultimate consumer, as goods and services solely represent value when they satisfy existing values in the final consumer market (Svensson, 2003).
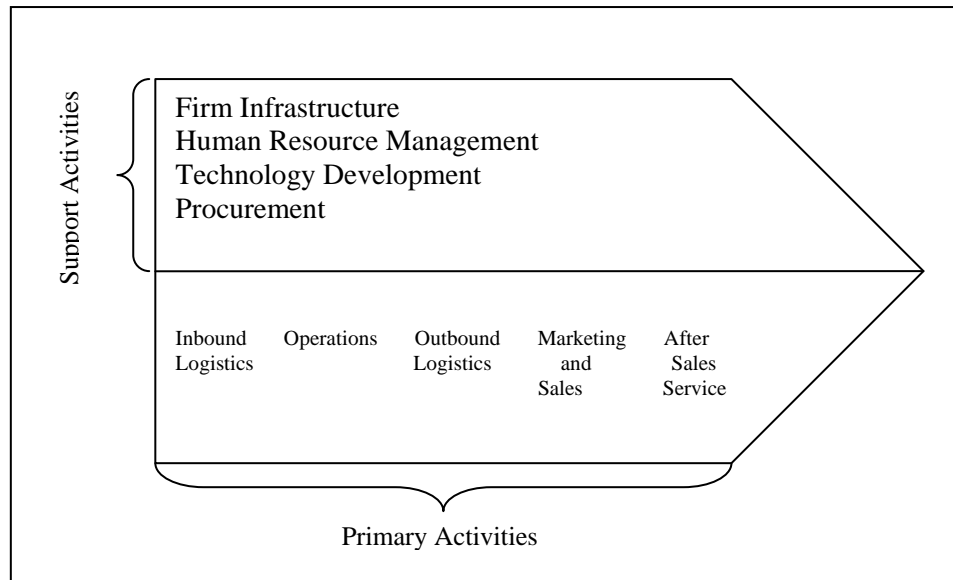
Figure 2: The Generic Value Chain
Adapted from Leibold et al. (2005).

The shift of power and value creation in a global economy from supply chains to demand chains, i.e. towards consumers, retailers, demand chain influencers and marketers, is primarily a result of companies now basing their core value-added on intellectual assets and not physical assets (Davenport et al., 2006). Furthermore, vertical and horizontal knowledge networking is growing rapidly on a formal and informal basis, viz. communities of practice and supply and demand chain integration (Davenport et al., 2006).

To satisfy consumer demand in the new knowledge economy, firms will need to develop new value-adding knowledge processes that enable them to reach and keep profitable customers', consequently, enterprises will need to focus on customer learning processes to learn about customers and to enable customers to learn about them (Lang, 2001). A new strategic thrust has emerged from the knowledge-driven, innovation economy where the mystery of organizational self-renewal and innovation resulting from knowledge centred creativity and leverage is unlocked (Davenport et al., 2006).

1.2 Problem Statement

Academics and business practitioners alike postulate that the global economy has passed a tipping point in the transition from an industrial, goods-centred logic to an innovation, service-centred scope where value is largely created by knowledge and intellectual capital, not physical assets (Davenport et al., 2006). Consumers are increasingly knowledge empowered and are the driving force behind innovation, even co-creators of value and consequently, value innovation shifts from the supply chain to the demand chain, with focus been on the consumer and brand equity development (Davenport et al., 2006).

The rapidly changing nature and highly competitive circumstances of the new innovative economy necessitate the timely design, development and marketing of new eminent products and brands with creative and innovative features (Shen, Tan and Xie, 2000). Forces such as global competition, emerging technologies, intelligent consumers and an increasing need for superior products in shorter time frames have contributed towards driving organizations to embrace new innovative approaches to product and brand development (Cormican and O'Sullivan, 2003) in order to create, capture and sustain value.
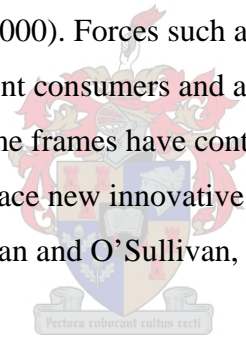
The rapid emergence of brand-owning companies increasingly characterizes the concomitant increase in competition, manifested in the innovation economy (Davenport et al., 2006). These companies devote their energies to leveraging assets that create and meet consumer needs, i.e. leveraging consumer knowledge and the knowledge of value chain partners, for profitable value innovation (Davenport et al., 2006). The real important value is to be found in intangible assets such as knowledge and innovation, viz. the innovation of brands, products, services and customer solutions (Davenport et al., 2006).

As proposed by Walters (2004), organizations competing in the innovation economy are necessitated to:

- Realize the importance of new invisible, intangible assets such as intellectual capital, knowledge and brands.

- Leverage these assets to create, capture and sustain value in a changing business environment.

- Create new strategies to enable the organization to innovate new value for consumers and other stakeholders.

The above mentioned challenges presented by the knowledge-driven, innovation economy necessitate organizations to capture the knowledge and competencies of its workers, customers and suppliers, leverage this knowledge within its value chain and transform it into activities that lead to value creation in hyper-competitive markets (Lang, 2001). In relation, organizations are challenged to leverage knowledge for innovative brand development. Firms that successfully combine and leverage intangible assets in the creation of their business models are able to create the most value for their stakeholders (Boulton, Libert and Samek, 2000). In conclusion, the encompassing challenge that organizations face in this new hyper-competitive global environment is how to identify and leverage all sources of value, not just the assets that appear on the traditional balance sheet (Walters, 2004).

1.3 Objective

The objective of the study is to investigate the pertinence of knowledge management practices and tools for brand development and brand innovation, by reviewing the research literature on knowledge and brand management. A review of the literature intends to provide a synthesis on the impact of leveraging knowledge for innovative brand development in the knowledge-intensive, innovation economy.

The dynamics of successful business enterprises in the innovation economy are orientated towards innovation, speed in value creation and delivery to

customers, via brands', which are progressively growing in importance. Therefore, a synthesis of the extant research will intend to emphasize the rising importance of knowledge for brand development and brand innovation. A tentative model intends to demonstrate the relationship between the brand and importance of knowledge, as well as relevant organizational practices, tools and approaches, to facilitate knowledge leveraging for innovative brand development.

Furthermore, a review and synthesis of the extensive research literature aspires to make sound conclusions as to the importance, relevance and further research implications of leveraging knowledge for innovative brand development in the 21st century.

1.4 Scope of Study

The functional scope of the study will comprise of a review and synthesis of all extant research publications on a global basis, on both branding and knowledge management, and their symbiotic relationship to investigate the impact of leveraging knowledge for innovative brand development.
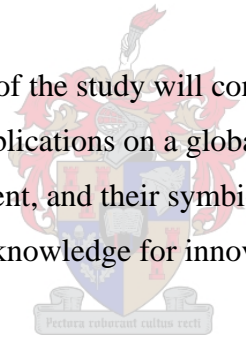
The following aspects of knowledge will be addressed and investigated within the scope of the study:

- All extant research on knowledge management, the significant role of knowledge and leveraging knowledge for innovative brand development.

- All extant research on knowledge in the various value chain dimensions of brand development and brand measurement, for example, brand equity.

- All extant research on knowledge management approaches and tools pertinent for brand development and brand innovation.

- All extant research on knowledge management systems and practices facilitating knowledge leveraging for innovative brand development and value innovation.

The geographical scope of the study is limited to an extensive review of secondary sources of information, comprised of published and unpublished material, on a global basis, while an empirical study is not included.

1.5 Research Methodology

The study is limited to an extensive review and investigation of secondary sources of information (academic and popular), published books, articles, research reports, official documents, websites and other relevant documents that have been collected through library and Internet research.

1.6 Structure of Presentation

The prevalent study is composed of the following six chapters.

Chapter 1 serves as an introduction to the study and includes a general background. Thereafter, the problem statement and objective follows, motivating the purpose of the study. Subsequently, a clarification of the scope of study and research methodology follows. Finally, a description of the structure of presentation demonstrates the flow of the study.

Chapter 2 commences with a synthesis of current academic thoughts on the concept of a brand to provide a preliminary definition of a brand. Further investigation of the literature establishes inherent differences between brands of the past and future and the subsequent need for strategic brand management by delineating the transformation in business models, rising importance of brands and modern market challenges faced by brands of the future. A review of the literature on brands provides clarity on the relevance and importance of brands in a knowledge-driven, innovation economy. In conclusion, the chapter

provides an analysis on the knowledge content of brands and the strategic impact of brand country of origin knowledge on Brand SA.

Chapter 3 reviews the knowledge management systems and practices facilitating knowledge leveraging for innovative brand development and value innovation. The chapter commences with a discussion on the deficiencies of the traditional strategic management systems and practices in light of the business environment shifting from a product-centric notion to a customer-centric sentiment. The subsequent section, for the purpose of the study, summarizes and synthesizes the vast amount of literature on knowledge management systems and practices to define a new strategic management mindset for innovative brand development by presenting key dimensions of a knowledge-driven, innovation organization. In conclusion, a knowledge management framework for innovative brand development is presented based on a knowledge management framework designed by Madanmohan Rao called the ' eight Cs audit' (Rao, 2005) in an attempt to balance the ramification of the subject with a comprehensible mode of presentation.

Chapter 4 commences with a review of the necessity of knowledge management tools and approaches in order for an organization to identify their strategic knowledge gap. In the subsequent sections, the chapter provides a comprehensive background and analysis of the knowledge management approaches and tools pertinent for brand development and innovation, including customer knowledge management (CKM), customer experience management (CEM), the SECI model of knowledge creation, and communities of practice (CoPs). Each tool and approach, presented in sub sections, enumerates the origin, rationale, purpose, *modus operandi* and benefits of the knowledge management tool for innovative brand development.

Chapter 5 provides a synthesis of the importance, relevance and impact of the rising importance of knowledge and knowledge leveraging for brand development and brand innovation in the knowledge-driven, innovation economy. A tentative model is presented in order to demonstrate the relationship between the brand and importance of knowledge, as well as

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relevant organizational practices, tools and approaches facilitating knowledge leveraging for innovative brand development.

Chapter 6 is the final chapter, presenting a summary and conclusions to the study and makes recommendations for future avenues of research in the direction of brand innovation concerning the proposed tentative model.

1.7 Summary

This chapter commenced with a background to the study to provide the reader with an overview of the prevalent knowledge-driven, innovation economy of the 21st century. Thereafter, a discussion of the issues concerning the problem statement followed, the objectives of the study were stated and the functional and geographical scope of the study defined. In conclusion, the research methodology was stated and the structure of the presentation delineated, in order to provide a framework to guide the reader through the assignment.
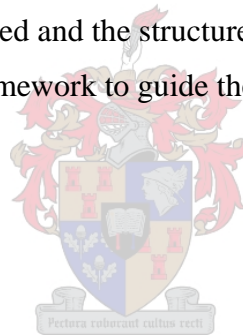
Chapter 2: The Dynamic Nature of Brands and the Relevant Role of Knowledge

2.1 Introduction

A significant number of organizations perceive a brand to be a company intangible that generates value (Calderon, Cervera and Molla, 1997) and regard it as the central asset of the enterprise (Baldauf, Cravens and Binder, 2003). Many powerful corporations in the global economy contribute their success in part to the strength of their brands (Davis, 2002). As such, successful organizations tend to manage and leverage their brands and the knowledge they contain as key business assets that are crucial to the corporate strategy. Thus, developing a clear understanding of the anatomy of the manageable brand phenomenon is critically important.

The purpose of this chapter is to provide clarity on the relevance and importance of brands in a highly competitive, knowledge-driven, global economy, including the changing concept of a brand due to its dynamic nature and the value it holds within the consumers mind, i.e. knowledge and its symbiotic relationship with branding.

To this end, the chapter presents five main sections: Firstly, a review and analysis of academic definitions of a brand, concluded with a preliminary definition of a brand. The second section provides an analysis of the changing business model and the modern market challenges confronting organizations, resulting in the rising importance of brands and the need for strategic brand management. Building on these insights, the third section provides an analysis of the relevance and importance of brands. The final two sections will identify the knowledge content of a brand and the strategic importance of brand knowledge for brand SA, as the question of how to leverage brands influences the question of what to leverage.

2.2 Definition of a Brand

The disagreement between how an organization defines a brand and how a customer perceives a brand has led to the conceptual confusion surrounding the new intangible asset, the brand. In addition, a major schism between two paradigms of defining brands and measuring the consequent brand equity exists (Kapferer, 2004). One is a customer-based view and focuses exclusively on the relationship customers have with the brand. The other aims at producing measures in monetary value that denote the future cash flows of brands.

According to the American Marketing Association (AMA), the following company-oriented definition of a brand describes the brand as:

- A name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors (Wood, 2000).

In essence, many practicing managers view a brand as being more than a product and rather view a brand in terms of having created a certain amount of awareness, reputation and prominence in the market (Keller, 2002). Various practitioners and academics criticize the definition provided by the AMA for being too product-oriented (Wood, 2000). Ambler (1992) provides a more consumer-oriented approach in defining a brand as:

- The promise of the bundles of attributes that someone buys and provides satisfaction. The attributes that make up a brand may be real or illusory, rational or emotional, tangible or invisible.

As stated by Kapferer (2004), companies seek to better fulfil the expectations of customers by concentrating on providing the latter, consistently with a combination of attributes that are tangible and intangible, functional and

hedonistic, visible and invisible. Likewise, Duboff and Spaeth (2000) also follow a consumer-orientated approach and define a brand as:

- A promise or offer that profitably delivers a unique perceived benefit to target customers better than the competition can and therefore a brand is perceived to have value and as such is an intangible corporate asset.

Keller (2003b) defines a brand as:

- A set of mental associations held by the consumer that add to the perceived value of a product or service.

Kapferer (2004) comprehends the previous definition to formulate that a brand has financial value (the net additional cash flows created by the brand) due to their ability to create brand awareness and beliefs of superiority and exclusivity of a valued benefit. These benefits, classified as assets, enhance the perceived value of a product or service.

Based on the entirety of the above-mentioned definitions of a brand as prevalent in the current management literature, the study suggests the following preliminary definition of a brand, for the purpose of the present study:

- A brand is an intangible corporate asset;
- Perceived to be more than solely representing the product, but as;
- A unique set of associations held in the consumers' mind;
- Consists of tangible and intangible attributes;
- A promise to deliver perceived benefits better than the competition, thereby;
- An important source of value creation, value capture and value sustainability, and;
- Endowed with the potential to enhance financial value.

2.3 The Changing Concept of Brands in the New Economy

2.3.1 Brands of the Past

Following a classical model, an organization focuses on the behaviour of the consumer, aiming research at identifying the attributes that predict the purchase intention and using the sacred four Ps of marketing: product, price, place and promotion to influence consumer demand (Kapferer, 2004). The marketing department designed tactics to maximize awareness and drive short-term sales through brand building efforts (Davis, 2002). Furthermore, high-level managers consider corporate funding spent on brand activity as an expense, rather than an investment adding value to an organization (Keller, 2003b).

Traditionally, a brand functioned as a tool to influence consumer demand and drive short-term sales. The brand served to identify a product and to distinguish it from the competition (Guzmán, 2005). Branding was limited to the marketing department of an organization and focused on physical product attributes such as product name, the logo and packaging (McFarland, 2002). The concept of brand image, seen as a somewhat vague theory, primarily described advertising objectives (Feldwick, 1996).

The traditional brand management process was the function of a brand as an identifier (Guzmán, 2005). The marketing department typically dominated all brand activity, often establishing a brand management department to manage the variety of brands owned by the company (Kotler, 2003). The brand management team was responsible for creating and coordinating the brand's management program (Aaker and Joachimsthaler, 2000). However, the brand manager, placed under immense pressure, generated short-term financial performance (Aaker, 1991). As a result, the brand department focused on short-term outcomes and building market share rather than a long-term vision and building a relationship with the customer (Kotler, 2003).

In addition, the brand manager was required to motivate other functional departments to invest their energies in the product, e.g. R&D, manufacturing, sales and advertising (Davis, 2002). These efforts resulted in brand managers not achieving functional expertise as they relied on the cooperation of other departments and the authority of higher management to carry out their responsibilities and consequently, were treated as low-level coordinators (Kotler, 2003).

2.3.2 The Changing Business Model and the Rising Importance of Brands

Organizations have traditionally competed with a large base of physical capital, focusing intently on more efficient use of working capital with the objective of increasing inventory returns, lowering carrying costs of inventory and improving the efficiency of fulfilment systems to decrease product obsolescence and increase customer responsiveness (Davenport et al., 2006). An organization focused on the proficiency of its supply chain and the subsequent integrated business processes from the point of origin to the point of consumption in order to minimize the time taken to perform each activity, eliminate waste and offer an optimal response by maximizing value (Lowson et al., 1999). Management acknowledged that the supply chain affected a significant portion of a company's costs and that the result of decisions concerning the supply chain processes yielded different levels of customer service, therefore, supply chain management not only reduced costs [improved efficiency of business processes] but also increased sales through improved customer response [improved effectiveness of business processes] (Ballou, 2004).

Although in recent years there has been a growing emphasis on customer requirements and customer responsiveness, the predominant focus of most major organizations has continued to concentrate on the factors of production (Davenport et al., 2006). The supply chain was designed to create value and to achieve a sustainable competitive advantage for the organization by integrating business processes such as product development, manufacturing and sales 'push', in order to deliver a product to the customer in the most

efficient and effective way through improved supply chain relationships (Ballou, 2004).

In light of the above, the traditional business model for most organizations has been based on a concept of the enterprise as a physical asset-based pyramid organized to produce and sell products, as illustrated in figure 3 (Davenport et al., 2006).
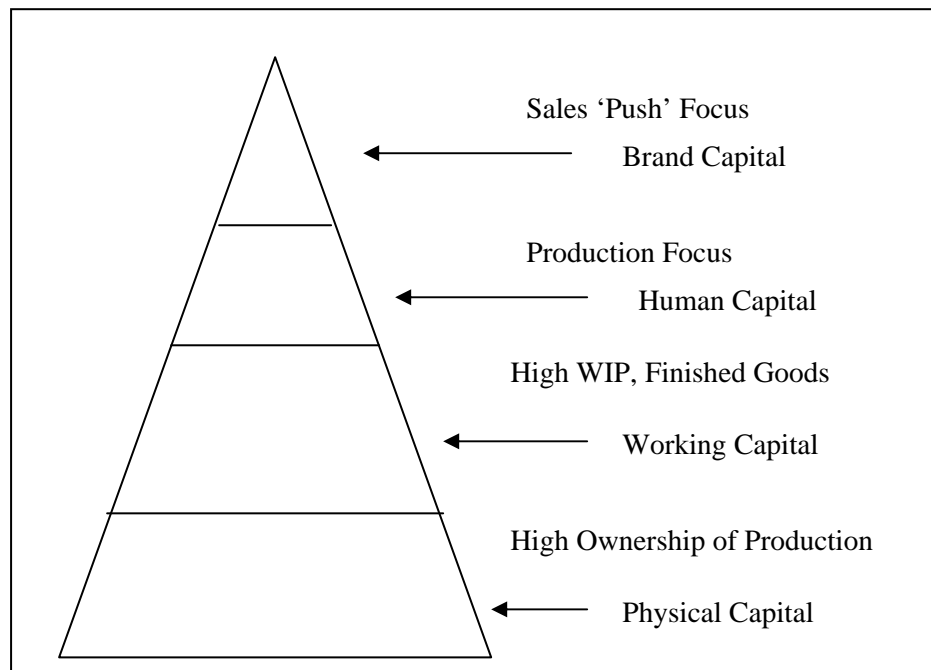
Figure 3: Traditional Business Model
Adapted from Davenport et al. (2006).

According to Davenport et al. (2006), during the late 1980s and 1990s, organizational initiatives to improve and synchronize the supply chain lead to companies investing in technology such as Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Electronic Data Interchange (EDI), Collaborative Planning, Forecasting and Replenishment (CPFR) and other such tools. These technologies provided organizations with many opportunities for cost and customer service improvements achieved through co-ordination and collaboration among channel members, aiding many major enterprises to achieve a best practice business model (Ballou, 2004).

The emergence of standardized best practice business models led to certain internal business processes to accordingly be standardized and companies adopted the strategy of outsourcing non-core physical capital activities across the supply chain in order to reduce costs, improve customer service, leverage their capital in a more advantageous way and focus on core competencies (Davenport et al., 2006). Furthermore, academics and practitioners began to acknowledge the importance of the consumer in the supply chain as consumer demand initiated supply chain operations (Ballou, 2004). Currently, the placement of emphasis falls on supply chain activities from the point of consumption to the point of origin, i.e. from consumer demand and knowledge to supply chain configuration to match customer orders (Svensson, 2003).

Concomitant with the rise of the new knowledge economy, intellectual capital resources, i.e. an organization's core competencies, rose in importance. Whereas the 1990s were characterized by a focus on efficiencies as a principal source of increased profitability, the new emerging knowledge intensive economy increased the importance placed on intellectual capital resources as a foundation to adapt, innovate, create and network to prosper in a global market environment (Leibold et al., 2005). Organizations began to feel compelled to transform their traditional, conventional business models to a 'decapitalized' business model where companies begin to rely less and less on an internal base of physical capital, lowering working capital (Davenport et al., 2006).

Customer 'Pull' Focus

Brand Capital

Value Innovation Focus

Human Capital

(Low) Direct Delivery to Customer

Working Capital

Low (Outsourcing)
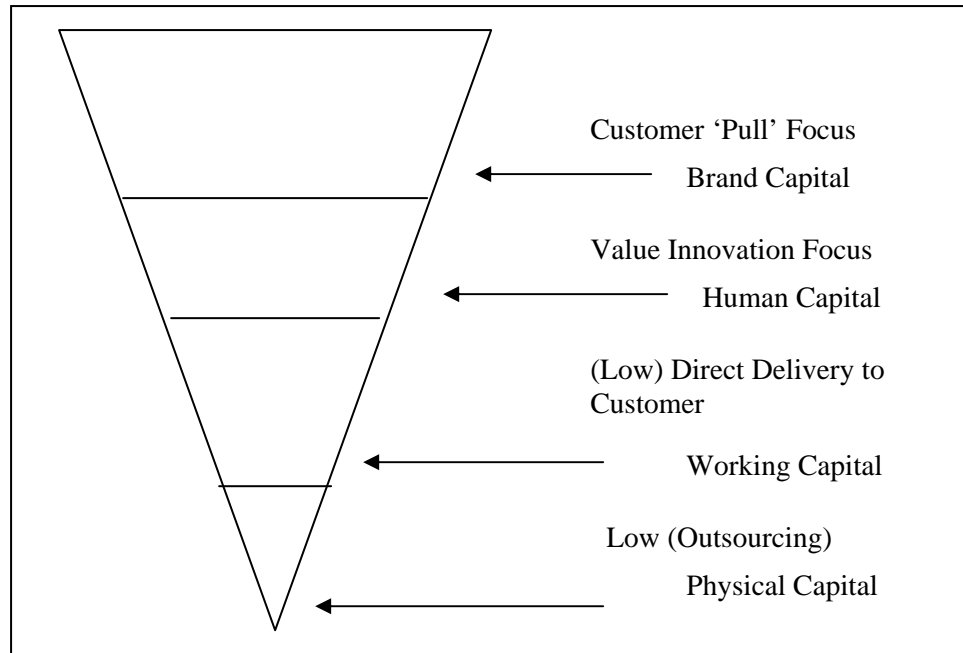
Physical Capital

Figure 4: 21<u>st</u> Century Business Model

Adapted from Davenport et al. (2006).

As illustrated in figure 4, the new 21st century business model tends to outsource physical non-core activities, freeing up enormous amounts of capital that can be focused on brand development, customer ownership and other industry leadership processes (Davenport et al., 2006). Human capital focuses increasingly on customers and leverages human capital to drive growth (Davenport et al., 2006). Organizations effectively develop brand capital to retain customers and derive greater revenue from new channels to customers (Davenport et al., 2006). The dramatic shift from visible assets and invisible customers to invisible assets and visible customers represents a dramatic change from mass production to mass customisation and from a sales 'push' focus to a customer 'pull' focus (Davenport et al., 2006).

Companies such as Coca-Cola, Johnson & Johnson, Procter & Gamble, Unilever and Amazon.com epitomize the fact that a vast majority of corporate value is formed by intangible assets and goodwill, whereas, tangible assets may account for as little as ten percent of the total corporate value as illustrated in figure 5 (Keller, 2003b). Furthermore, seventy percent of the organizations intangible assets may consist of brand value (Keller, 2003b).

Brand Value Analysis
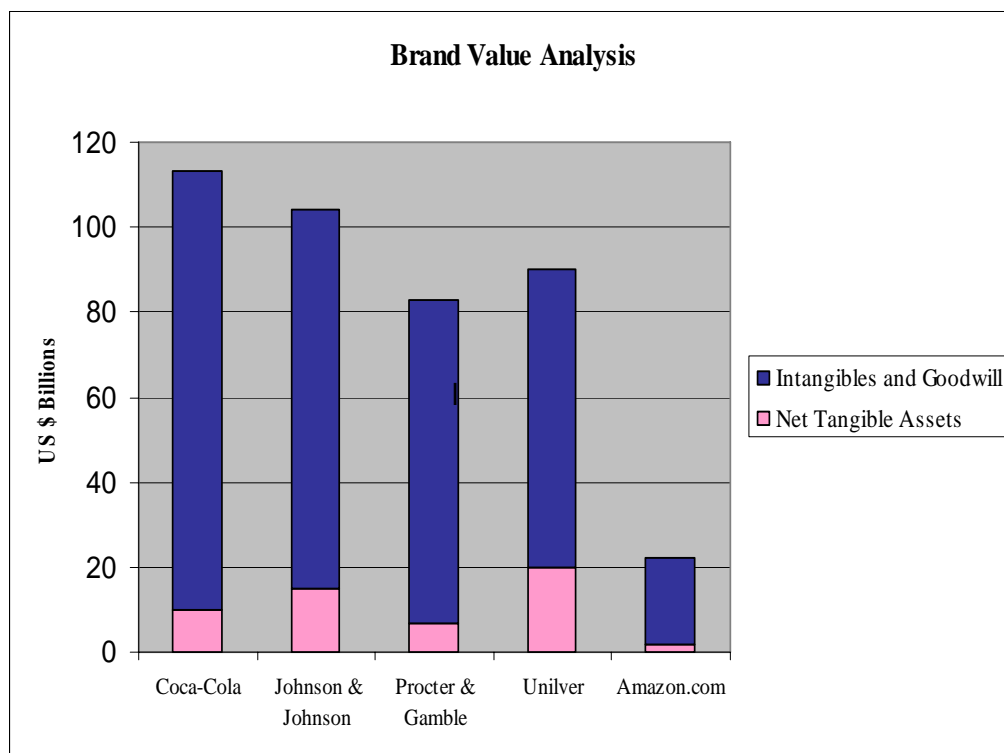
Figure 5: Brand Value Analysis

Adapted from Keller (2003b).

2.3.3 Modern Market Challenges Faced by Brands of the Future

Although brand management has been an important activity for some companies for many years now, branding has only emerged as a top management priority for organizations in the last decade (Keller, 2002). A vast number of factors have contributed to this movement, however, perhaps the most important is the growing realization that one of the most valuable assets that an organization possess is the intangible asset that is their brand (Keller, 2002).

The new distinction between physical, tangible assets and intangible assets has allowed brands to be recognized as a valuable corporate asset that can be uniquely and powerfully leveraged into a competitive advantage, warranting valuation in organizational financial statements and negotiations (Moore and Craig, 2004). During 2000, the market-to-book ratios of Fortune 500 companies increased to 6.3:1, suggesting that for every dollar of physical

assets on the balance sheet, the market recognized $6.30 worth of intangible assets (Moore et al., 2004).

Other factors that have contributed to the transformation of the brand concept include:

- *Saturated Markets* – According to Keller (2003b), both the demand-side and the supply-side of the value chain has contributed to the increase of competitive market intensity. On the demand-side, many markets have reached maturity and many product categories, especially in the context of fast moving consumer goods (FMCG), no longer grow in volume as they have reached the maturity or decline stage of the product life cycle. Furthermore, on the supply-side, many new competitors have arisen due to, among other factors, brand extensions, deregulation, globalisation, and low-priced competitors. Organizations may employ their brands to capture consumers through shared values, attract customers repeatedly with innovations that are consistent with their values and develop customer loyalty (Kapferer, 2004).

- *Fragmented Markets* – One of the most dramatic changes in the environment of brands is the fragmentation of markets and consequent need for brands to satisfy the diversity of the consumers (Kapferer, 2004). In addition, traditional advertising media such as network television has eroded and the new economy has observed the emergence of interactive, non-traditional communication alternatives such as sport sponsorships (Keller, 2003b).

- *Globalisation* – Progressively, companies globalise in order to optimise their profitability. The acceleration of communication technology has redefined the boundaries of potential business (Leibold et al., 2005). Globalisation of the world economy and network integration of the supply and demand chains enable innovative value

configurations, with focus on brand equity development (Davenport et al., 2006).

- *Market Intelligent Customers* – Due to technology and globalisation, consumers gain access to unprecedented amounts of information on products, performance and price, empowering the consumer to be able to make informed decisions. Brands are required to increasingly justify their price differential much more than before, via a flow of information on the material added benefits, as well as, through the creation of intrinsic values (Kapferer, 2004).

- *Consumers as Co-Creators of Value* – Increasingly consumers engage with the organization to define and create value due to their increased power and dissatisfaction with available choices (Prahalad and Ramaswamy, 2004).

- *The Challenge of Ethics* – The globalisation of claims of unethical corporate or brand behaviour is a definite new factor of the economic and media environment (e.g. Nike production in the East). Brands need to communicate their concern for the environment, sustainable development and fair trade (Kapferer, 2004).

In addition, the following factors have transformed the manner in which organizations manage a brand asset:

- *Customer-Brand Relationships* – Due to fierce competition and rapid imitation the focus of marketing has shifted from transactions to building lasting relationships and brand loyalty with the customer through identifying the different types of relationships consumers have with brands (Kapferer, 2004). Organizations can use branding as a tool to enhance the relationship between the consumer and the brand.

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- *Organization Wide Brand Management* – Top management is paying closer attention to brand portfolio management as a brand is increasing in value (Kapferer, 2004). Oldroyd (1994) regards a brand as a strategic device to develop and sustain competitive advantage.

- *Brand Orientation* – Organizational processes of a firm revolve around the creation, development and protection of brand identity in an ongoing interaction with consumers to achieve a lasting competitive advantage in the form of a brand (Urde, 1999). A brand orientation represents a brand-building model that emphasizes a brand as a strategic resource (Urde, 1999).

- *Brand Asset Management Teams* – Concomitant with modern-day market challenges, a brand is susceptible and vulnerable to poor brand management (Keller, 2003b). Managing a brand as an asset requires a long-term strategy and more inclusive teamwork (Kotler, 2003). Davis (2002) defines brand management as a balanced investment approach for building the meaning of the brand, communicating it internally and externally, and leveraging it to increase brand profitability, brand asset value and brand returns.

- *Capitalization of 'mega-brands'* – Companies are reducing their brand portfolios and focusing on a few so-called mega-brands in order to manage the value of its equity more efficiently (Kapferer, 2004).

- *Exploiting Brand Equity* – Brands are a tool for growing businesses more profitably. Organizations take advantage of the return yielded by the brand's equity through brand extensions, i.e. further capitalization of the brand (Kapferer, 2004).

- *Leveraging Global Brands* – Tastes and styles are increasingly becoming more homogenous, in part due to television and travel (Aaker, 1991). Launching a global brand in business markets appears

to be an exceptional opportunity as global consumers are seeking essentially the same quality, functionality and performance (Anderson and Narus, 2004). Furthermore, an organization can create strategic benefit by purchasing an established brand as a vehicle for diversification into new markets (Oldroyd, 1994).

- *Global Brand Leadership* – Organizations are utilizing their organizational structures, processes and cultures to allocate brand building resources globally, to create global synergies and to develop a global brand strategy that coordinates and leverages country brand strategies (Aaker and Joachimsthaler, 1999).

- *Visionary Brands* – Brands are required to consistently meet, anticipate and exceed customer's expectations with exceptional abilities (Kohli and Leuthesser, 2001). The strongest brands are those that are innovative and capable of constant self-renewal (Kohli et al., 2001).

2.3.4 A New Paradigm: Strategic Brand Management

Increasing competition, saturated markets, the rising number of mergers and acquisitions and the power of the media and public opinion may render it difficult to communicate with consumers (Barich and Kotler, 1991). Balmer and Soenen (1997) argue that in order to handle these dynamics, organizations must attempt to create their own individuality and distinctive features that will distinguish them among the various environmental publics. By adopting a strategic approach to their branding activities, organizations can ensure that they are better able to deal with fluctuating environmental and market forces (Simões and Dibb, 2001).

Brand value is becoming increasingly important due to its core element status in company strategy and management, and to its financial significance when quantifying intangible assets (Keller, 1993). Aaker (1991) identifies the trend that organizations are moving beyond products as commodities to branded

products, reducing the primacy of price upon the purchase decision and accentuate the bases of differentiation.

Simões et al. (2001) state, that as the brand orientation and total brand management concepts suggest, the branding perspective is shifting towards a business philosophy in which the entire organization is involved. Petromilli, Morrison and Million (2002) propose that organizations take a strategic role that emphasizes the portfolio-wide approach and the business-wide implications of brand-orientated decisions.

Keller (2003b) defines a strategic brand management process to involve the design and implementation of marketing programs and activities to build, measure and manage brand equity. According to Keller (2003b), the strategic brand management process consists of four steps:

- *Identify and Establish Brand Positioning and Values* – The organization is required to comprehend clearly as to what the brand is to represent and how it positions the brand in the mind of the consumer to enable the firm to maximize potential benefit. Urde (1999) defines brand orientation as an approach in which the processes of an organization revolve around the creation, development and protection of a brand identity in an ongoing interaction with target customers, with the aim of achieving lasting competitive advantages in the form of brands. Therefore, brands may achieve a high level of importance within an organization, becoming part of its core values and identity, even important strategic assets (Simões et al., 2001).

- *Plan and Implement Brand Marketing Programs* – The ultimate goal is to build brand equity by creating a brand that consumers are sufficiently aware of and with which they have strong, favourable and unique brand associations. Brand value in organizational management has gained considerable importance as new tendencies in organizational competitiveness are increasingly concerned with the

creation of added value, long-term relationships, based on knowledge and experience, with the aim of finding a way for the customer to interrelate and integrate with the company (Calderon et al., 1997).

- *Measure and Interpret Brand Performance* – It is important to measure and interpret the value creation performance of brands to better understand the financial impact of brand marketing expenditures and investments. Furthermore, an additional reason for an organization's interest in studying brand value arises from strategic considerations (Calderon et al., 1997). To improve its productivity in the market, organizations need an understanding of consumer behaviour and attitude toward the brand on which to base strategic decision-making (Calderon et al., 1997).

- *Grow and Sustain Brand Equity* – Due to the competitive market environment, it is imperative for an organization to maintain a strong brand leadership position. From the organization's point of view, it is becoming increasingly costly and complex to develop new brands or manage existing ones in increasingly competitive markets (Calderon et al., 1997). Thus, in a world governed by uncertainty, we begin to realize that brand management and rationalization should be an important part of the strategic considerations of many companies (Calderon et al., 1997).

Today, within the new economy, organizations recognize successful brands as rare and valuable assets, that when exploited carefully, with wise and knowledgeable management, retains their financial value, their economic power, and their social significance (Moore et al., 2004). A review of current brand management literature has identified certain differences between a classical model of brand management and a brand leadership model, as proposed by Aaker et al. (2000) and illustrated in table 1.

	The Classical Brand Management Model	The Brand Leadership Model
	From Tactical to Strategic Management	
Perspective	*Tactical and reactive*	*Strategic and Visionary*
Brand Manager Status	*Less experienced, shorter time horizon*	*Higher in the organization, longer time horizon*
Conceptual Model	*Brand image*	*Brand equity*
Focus	*Short-term financials*	*Brand equity measures*
	From a Limited to a Broad Focus	
Product-Market Scope	*Single product and markets*	*Multiple products and markets*
Brand Structures	*Simple*	*Complex brand architecture*
Number of Brands	*Focus on single brands*	*Category focus-multiple brands*
Country Scope	*Single country*	*Global perspective*
Brand Manager's Communication Role	*Coordinator of limited options*	*Team leader of multiple communication options*
Communication Focus	*External/customer*	*Internal and external*
	From Sales to Brand Identity as a Driver	
Driver of strategy	*Sales and Share*	*Brand identity*

Table 1: Brand Leadership: The Evolving Paradigm

Adapted from Aaker et al. (2000).

Aaker et al. (2000) regards the brand leadership model as strategic and visionary, rather than tactical and reactive. In addition, the scope of the brand manager has increased to include multiple products and markets, creating challenges and contexts very different to the traditional brand scope. Lastly, in the brand leadership model, brand identity rather than short-term performance measures guide strategy. The brand identity specifies the aspiration of the brand and what it stands for in the consumers' mind. The development of brand identity relies on a thorough understanding of an organization's customer, competitor and business strategy (Aaker et al., 2000).

2.4 Relevance and Importance of Brands in a Knowledge-Driven, Innovation Economy

In the 21st century, practitioners and academics regard a brand as more than just the name of a company, a trademark for a product, or a service mark

(Moore et al., 2004). For many companies, the brand name and what it represents is their most important asset, the basis for their competitive advantage and their present and future profits (Calderon et al., 1997).

Moore et al. (2004) proclaim that brands and their combined brand equity constitute the major economic force within the entire global economy, delivering marketplace value, shareholder wealth, livelihood, prosperity, and culture. Brand strength may reflect macro brand considerations such as market leadership or market share position, as well as more micro brand considerations such as consumer familiarity, knowledge, preferences or loyalty (Keller, 2002). For example, as stated by Keller (2003b), Coca-Cola, Calvin Klein, Chanel No. 5 and Marlboro, among many other brands, have become leaders in their product categories by understanding consumer motivations and desires and creating pertinent and appealing images surrounding their products.

The brand is a complex concept that creates organizational value and performs a number of important functions for every enterprise (Moore et al., 2004). It is this value that the subsequent sections to follow will draw our attention to.
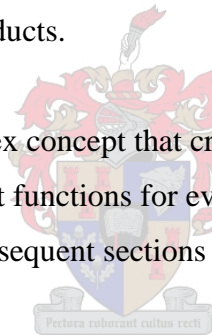
2.4.1 Organizational-Related Value

Until recently, the most important assets in production of value have been tangible assets in the form of land and capital (Davenport et al., 2006). However, with the emergence of the global knowledge economy, intangible capital is becoming the pre-eminent for improved performance and organizational fitness, as having superior intellectual resources, an organization can exploit and develop its traditional visible resources better and differently than competitors (Davenport et al., 2006).

As indicated by the 21st century business model proposed by Davenport et al. (2006), brand capital represents the new primary capital of many businesses. Strategically, strong brands represent a key component of competitive

advantage and function as the main source of a company's future earnings (Baldauf et al., 2003).

The examination of studies conducted by such companies as Interbrand and EquiTrend, illustrate the organizational value represented by brands. Interbrand values brands based on how much a brand can earn in the future. In its 2001 survey, Interbrand ranked Coca-Cola as the world's most valuable brand, with a $68 billion brand value, of which forty five percent of the value represented the total market capitalization of the company (Davis, 2002). Furthermore, in a study conducted by EquiTrend, it was proven that firms experiencing the largest gains in brand equity saw their return on investment (ROI) average thirty percent and those with the largest losses in brand equity saw their ROI average a negative ten percent (Petromilli et al., 2002).

In business markets, brand elements may have no inherent meaning; but alternatively, they become endowed with meaning through the performance of the company and its market offering over time (Anderson et al., 2004). Through their associations with offerings that consistently deliver superior functionality and performance, brand elements become a valuable resource for the organization.
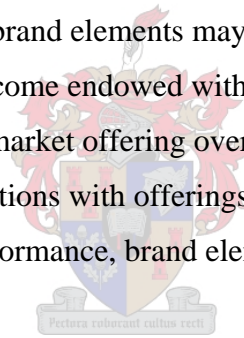
Keller (1993) states that an organization's most valuable asset for enhancing organizational value is the created knowledge about the brand in the consumers' mind. Furthermore, Keller (2003a) considers brand knowledge to be a source of brand equity. Many practitioners and academics define brand equity in a number of different ways for many different purposes. The official Marketing Science definition of brand equity is:

- The set of associations and behaviour on the part of a brand's customers, channel members and parent corporation, which permits the brand to earn greater volume or greater margins than it could without the brand name (Kapferer, 2004).

Srivastava and Shocker (cited in Wood, 2000, p. 663) define brand equity as:

- "The aggregation of all accumulated attitudes and behaviour patterns in the extended minds of consumers, distribution channels and influence agents, which will enhance future profits and long term cash flow."

Furthermore, Winters (1991) relates brand equity to added value by suggesting that brand equity involves the value added to a product by consumers' associations and perceptions of a particular brand name. However, no matter what brand equity definition or measurement prevails, the value of a brand and thus its equity ultimately derives from the marketplace, i.e. from the words and actions of consumers (Hoeffler and Keller, 2003). Although the details of the approaches to brand equity may sometimes differ, they tend to share a common core: all definitions either implicitly or explicitly depends on brand knowledge structures in the minds of consumers as the foundation of brand equity (Hoeffler et al., 2003).

Branding enables an organization to differentiate offerings where the core offering is essentially the same, but it augments the core offering with different services, programs and systems to deliver superior value to target market segments having different requirements and preferences, in order to build brand equity (Anderson et al., 2004). Brand equity and customer value in turn provide value to the firm by enhancing efficiency and effectiveness of marketing programs, brand loyalty, price margins, brand extensions, trade leverage and competitive advantage (Aaker, 1991).

Ultimately, brand perceptions affect consumers' buying decisions (Doyle, 1994). Strong brands are an important asset to managers striving to meet the challenges of today's highly volatile markets (Simões et al., 2001). Moreover, some experts believe that in post-modern consumer culture, brands play a vital role in the construction of consumer identity (Elliot and Wattanasuwan, 1998). Brands are important to firms because they lead to customer loyalty, which in turn ensures demand and future cash flows (Motameni and Shahrokh, 1998).

According to Aaker (1995), a valuable asset for an organization is the loyalty of the installed customer base as:

- An existing base of loyal customers represents an entry barrier to competitors.
- Brand loyalty provides trade leverage as strong brands ensure preferred shelf space.
- Brand loyalty allows an organization to respond to competitors' offerings.

A reflection of the acquisition prices paid by companies in the business market (Anderson et al., 2004) suggest how branding promotes a company's image, not just to increase sales, but also to encourage investment (Oldroyd, 1994). Leiser (2004) recommends that in order for an organization to achieve brand-driven benefits, the company must undertake a rigorous analysis that identifies the key dimensions of brand equity within the category, profile its brand against these dimensions and model the core strategic brand drivers.

2.4.2 Innovation-Related Value
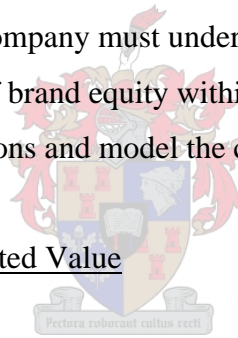
The rapid emergence of brand-owning companies that devote their energies to organizational and strategic fitness, to create and meet customer need experiences, and to drive value innovation, increasingly characterizes competition in the innovation economy (Davenport et al., 2006). For example, Gillette continually innovates to produce a demonstrably superior product. Fundamentally, more than forty percent of Gillette's sales in the first half of the 1990s came from new products (Keller, 2003b). Innovation in product design, manufacturing and merchandising is increasingly critical to maintain or enhance brand equity, especially for performance-based brands whose sources of brand equity primarily rest in product-related associations (Keller, 2003b).

According to Kotler (2003), an innovation is any good, service or idea perceived by someone as new, which takes time to diffuse through the social system. Rogers (cited in Kotler, 2003, p. 376), defines the innovation diffusion process as "the spread of a new idea from its source of invention or creation to its ultimate users or adopters". The consumer-adoption process, as stated by Kotler (2003), illustrates the mental process through which consumers pass from first observing a new innovation to final adoption and consists of five stages:

- *Awareness*: The consumer becomes aware of the innovation but lacks information about it.
- *Interest*: The consumer is stimulated to seek information about the innovation.
- *Evaluation*: The consumer considers whether to try the innovation.
- *Trial*: The consumer tries the innovation to improve his or her estimate of its value.
- *Adoption*: The consumer decides to make full and regular use of the innovation.

Hoeffler et al. (2003) argue that when consumers have limited prior knowledge of a product or an innovation, brand names become the most accessible and diagnostic cue available for dealing with risk and uncertainty. Familiarity with a brand has proven to increase consumer confidence, attitude towards brand and purchase intention and mitigate the potential negative impact of a negative trial experience (Keller, 2002). Brands act as a choice heuristic for the consumer by encapsulating a pool of available information about the product or innovation (Oldroyd, 1994).

Lastly, brands protect innovators. When a brand introduces a new product into the market, competitors quickly challenge its position unless the innovation is or can be patented (Kapferer, 2004). A brand acts as a mental patent protecting the innovation by becoming the new prototype of the new segment it creates (Kapferer, 2004). Thus, brands protect innovators by granting them

momentary exclusiveness and rewarding them for their risk-taking behaviour (Kapferer, 2004).

2.4.3 Consumer-Related Value

The fundamental task of branding is to transform the product category, endowing the product with its own separate identity and providing additional value to the consumer (Kapferer, 2004). Brands transform the product category by adding value and consistently fulfilling customer expectations with the ideal combination of brand attributes that are tangible and intangible, functional and hedonistic, visible and invisible (Kapferer, 2004).

Furthermore, Aaker (1991) describes how brand equity enhances value to customers in terms of their ability to process and interpret information, and confidence in the purchasing decision and use satisfaction. Branding market offerings may provide a social benefit to customers (Anderson et al., 2004). As social benefits are intangible, branding can serve to make the intangible tangible (Anderson et al., 2004). For example, Excelon chose to brand its environmentally preferable power as Eco-Preferred® Power to make tangible its ISO 14042 certification to assert that this energy has a reduced impact on human health and the environment when compared to competing sources of energy that serve the same purpose (Anderson et al., 2004). Excelon was thus able to better convey the social benefit to its customers via branding.

A brand is regarded as a mechanism for achieving competitive advantage for a company through differentiation and the attributes that differentiate a brand provide the consumer with satisfaction and benefits for which they are willing to pay (Wood, 2000).

2.5 The Knowledge Content of Brands

Earlier research on brand knowledge concentrated on more tangible, product-related brand information (Keller, 2003a). Alternatively, recent branding research attempts to understand more of the abstract, intangible aspects of

brand knowledge not related to the actual physical product or service specifications per se (Keller, 2003a). Increasingly, brand knowledge research forms the foundation to conceptualise the relationship consumers establish with brands. Consumer brand knowledge defines the personal meaning about a brand stored in consumer memory, i.e. all descriptive and evaluative brand related information (Keller, 2003a). Accordingly, brand knowledge relates to the cognitive representation of the brand (Peter and Olson, 2001).

According to Keller (1993), an associative-network memory model conceptualises brand knowledge in terms of two components: brand image and brand awareness. Brand image refers to the set of associations linked to the brand that consumers hold in memory (Keller, 1993). Kotler (2003) states that a brand name carry's many associations in the minds of consumers and these associations develop into a set of brand beliefs that make up a positive or negative brand image. Keller (2002) views the brand as a node in the consumer memory with a variety of different types and associations varying in strength linked to it. Furthermore, brand awareness relates to the strength of the brand node in memory as reflected by consumers' ability to identify the brand under different conditions (Keller, 2003b).

Kotler and Keller base their definition of brand knowledge on the associative network memory model (see e.g. Anderson, 1983; Wyer and Srull, 1989; Keller, 2003b). The model views memory as consisting of a network of nodes and connecting links in which nodes represent stored information or concepts, and links represent the strength of association between the information or concepts. This approach of conceptualising brand knowledge attempts to represent an insightful way to express how brand knowledge exists in consumer memory. The approach assumes that consumers see brands as categories that, over time, have come to be associated with a number of specific attributes, based in part on the attributes associated with the different products that represent individual members of the brand category (Loken and Roedder John, 1993).

Keller (2003a) proposes that the following different kinds of information may link itself to a brand within the mind of the consumer:

- *Awareness* - Product category identification and needs satisfied by the brand.
- *Attributes* - Descriptive features that characterize the brand name product either intrinsically (e.g., related to product performance) or extrinsically (e.g., related to brand personality or heritage).
- *Benefits* - Personal value and meaning that consumers attach to the brand's product attributes (e.g., functional, symbolic, or experiential consequences from the brand's purchase or consumption).
- *Images* - Visual information, either concrete or abstract in nature.
- *Thoughts* - Personal cognitive responses to any brand-related information.
- *Feelings* - Personal affective responses to any brand-related information.
- *Attitudes* - Summary judgments and overall evaluations to any brand-related information.
- *Experiences* - Purchase and consumption behaviours and any other brand-related episodes.

Keller (2003a) argues that the above-mentioned different kinds of information broadly be seen as some of the key dimensions of brand knowledge. More importantly, these different kinds of information may become a part of consumer memory and affect consumer response to marketing activities, thereby creating differential consumer responses (Keller, 2003a).

The dimensions defining brand equity as proposed by Aaker (1991) and illustrated in figure 6 may correspondingly portray the above brand knowledge dimensions proposed by Keller (2003a). Aaker (1991) defines brand equity as a set of four categories of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by a product

or service to an organization, or to an organization's customers. These four
dimensions guide brand development, management and measurement:

- *Brand Loyalty* – A measure of a consumer's attachment to a brand
  and reflects the possibility that a customer will switch to a
  competitive brand.

- *Brand Awareness* – Awareness refers to the strength of a brand's
  presence in the consumer's mind.

- *Perceived Quality* – Represents the customer's perception of the
  overall quality or superiority of a product or service with respect to
  the intended purpose, relative to available alternatives.

- *Brand Associations* – The strength, favouritism and uniqueness of
  perceived attributes and benefits of the brand in the consumer's mind.
  Brand associations include, among other factors, the image, slogan,
  symbol and the brand's position with relevance to the customer and
  competitors.

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                        ┌─────────────────┐
                        │  Brand Equity   │
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┌──────────┐  ┌──────────┐      ┌──────────────┐  ┌──────────┐
│  Brand   │  │Perceived │      │    Brand     │  │  Brand   │
│Awareness │  │ Quality  │      │ Associations │  │ Loyalty  │
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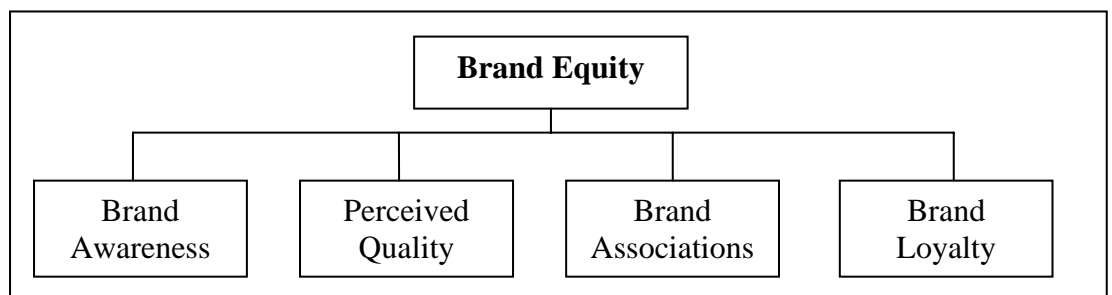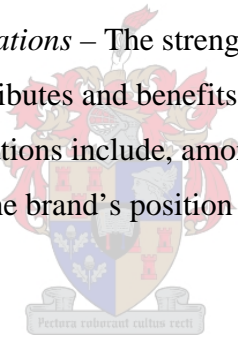
Figure 6: Brand Equity Framework

Adapted from Aaker et al. (2000).

2.5.1 The Volatile Nature of the Knowledge Content of Brands

The creation of brand knowledge occurs in a variety of different ways. Any
potential encounter with a brand, marketing initiated or not, has the
opportunity to change the mental representation of the brand and the kinds of

information that can appear in consumer memory (Keller, 2003a). The strategic importance of brand knowledge previously identified, necessitate organizations to understand the volatile nature of brand knowledge and the reasons why some brands may have bigger knowledge content than others and how some brands gain in knowledge content.

Keller (2002) defines customer-based brand equity as the differential effect that brand knowledge has on the consumer response to the marketing of that brand. A brand has positive customer-based brand equity when customers react more favourably to a product or identified brand, as compared to when it is not (Keller, 2002). Customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds strong, favourable and unique brand associations in memory (Keller, 2003b). However, due to competitive or distributive pressures from the market, brand assets may produce different brand strengths over time and the power a brand may have achieved in a market may be lost if the brand has been mismanaged in comparison with the competition (Kapferer, 2004).

Keller (2003b) suggests the following contextual factors, to epitomize the extent to which the value created in the minds of consumers' affects market performance:

- *Competitive Superiority* – The effectiveness of the quantity and quality of the marketing investment of other competing brands.

- *Channel and Intermediary Support* – The amount of brand reinforcement and selling effort put forth by various marketing partners.

- *Customer Size and Profile* – The quantity and type of customers attracted to the brand.

Keller (2003a) proposes that in an increasingly competitive marketplace, organizations may often link or associate their brands with other people, places, things, or brands as a means of building or leveraging knowledge that might otherwise be difficult to achieve more directly through product marketing programs. Linking the brand to another person, place or other brand affects brand knowledge by creating new brand knowledge (Keller, 2003a). Furthermore, the strength of a brand association depends on the personal relevance of the information and the consistency with which the organization presents the information over time (Keller, 2003b).

Establishing a high level of brand awareness and a positive brand image in consumer memory, in terms of strong, favourable and unique brand associations, produces the knowledge structures that can affect consumer response and create different types of customer-based brand equity (Keller, 2003b). Furthermore, other brand associations in memory may affect the favouritism and strength of a brand association (Keller, 1993). Figure 7 delineates the potential an organizational action, viz. marketing activity, has on altering the consumers' knowledge structure about a brand in terms of some aspect of brand awareness or brand image (Keller, 2003b). The knowledge about the brand in memory, established by the organization's brand strategies, greatly affects the long-term success of future marketing programs for a brand (Keller, 1993). In conclusion, as the content and structure of memory for the brand will influence the effectiveness of future brand strategies, it is incumbent for an organization to understand the effect of marketing programs on consumer learning and thus the subsequent recall for brand-related information (Keller, 1993).
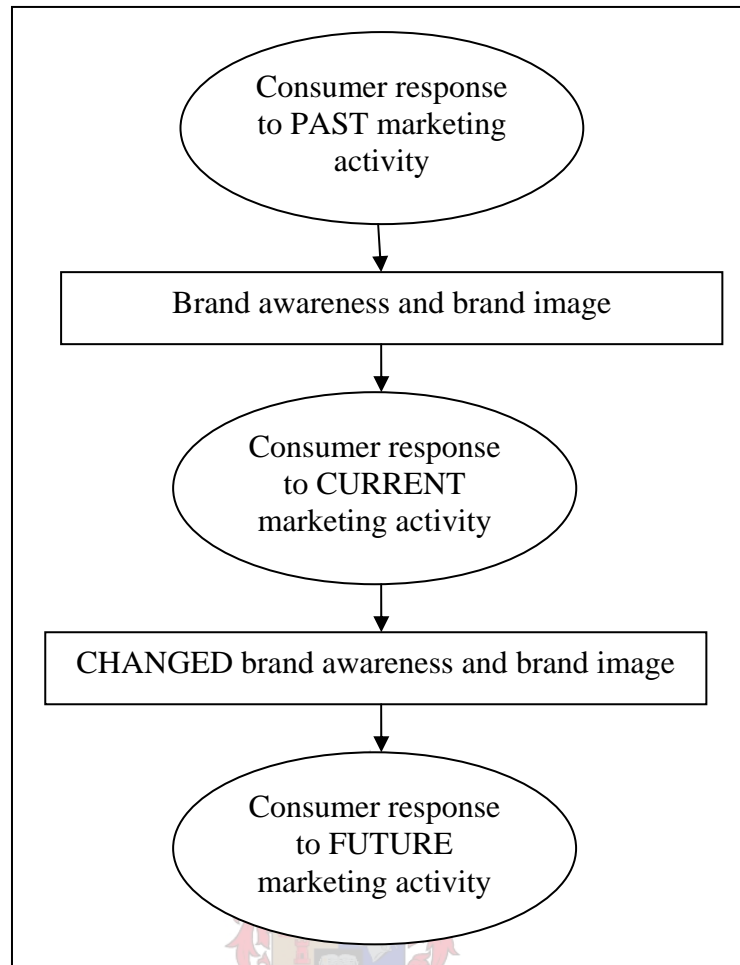
Figure 7: The Long Term Effect of Marketing Actions on Brand Equity

Adapted from Keller (2003b).

In conclusion, Tzokas and Saren (2002) propose a model of the relationship lifecycle a customer creates with an organization. The relationship lifecycle suggests that relationships develop over time and consist of the following four stages: introduction, experimentation, identification and continuous renewal or dissolution. Respectively, each stage in a relationship lifecycle has diverse characteristics and requirements for effective management of the particular relationship. However, an organization ordinarily possesses customers at all stages of the relationship lifecycle at any one point in time and therefore it becomes incumbent to support relationship building activities, viz. brand building, simultaneously in all stages of the relationship lifecycle (Rowley, 2004).

2.6 The Strategic Impact of Brand Country of Origin Knowledge on Brand SA

Results from a large number of marketing studies conducted in consumer and organizational settings indicate that knowledge of where the product is made, i.e. its country of origin, significantly affects product evaluations (d'Astous and Ahmed, 1999) and that country of origin be used as a cue in evaluating new products (Gurhan-Canli and Maheswaran, 2000).

Country of origin effects refers to the extent to which the place of manufacture influences product evaluations (Gurhan-Canli et al., 2000). Like brand names, a country name has a set of associations that significantly influence consumers' attitude towards products originating from particular countries in a multinational product market (Kim, 1995). A country is said to have positive or negative country equity if consumers react more or less favourably to products originating from a particular country, than they would to the product without the country name (Shimp, Saimee and Madden, 1994).

In a study conducted by Kim (1995), an empirical test confirmed that consumers base their purchasing decision on two external cues: brand reputation and a product's country of origin. Long-term intangible assets generated from the popularity image and country associated image generally have a positive effect on brand performance (Kim, 1995).

In an additional study conducted by Audhesh and Dheeraj (2004), the authors argue that consumer knowledge of a brand's country is crucial for the transfer of country of origin (COO) image to the brand image. If consumers do not know about a brand's COO, the perceived COO image is less transferable to the brand (Audhesh et al., 2004). Brand-COO knowledge is important for a more informed and accurate COO image and the accuracy of brand-COO knowledge leads to a more balanced view of the product specific COO image (Audhesh et al., 2004).

In summary, the study was hypothetically tested to prove that the:

- Accuracy of brand-COO knowledge will be associated with COO image attributed to the brand's country.
- Accuracy of brand-COO knowledge about a brand will be negatively associated with accuracy of brand-COO knowledge about a competing brand.
- Accuracy of brand-COO knowledge will be positively related to the level of familiarity with the brand specific COO.

During the purchase process, consumers seek and use COO information in a manner that has the following important strategic implications (d'Astous et al., 1999):

- COO becomes an important cue for consumers during product evaluation.
- Consumers use brand names as a proxy for COO.
- Low brand perceptions and evaluations based on erroneous COO perceptions.

A number of brands are able to create a strong point of difference in part because of consumers' identification of and beliefs about the country of origin (Keller, 2003b). Thus, brand-COO knowledge influences the COO image and provides a competitive advantage (Aaker, 1998). A brand with strong national ties may reflect an organizational decision to maximize product utility and communicate self-image based on what consumers believe about products from those countries (Keller, 2003b).

Audhesh et al. (2004) proposes the following benefits of brand-COO knowledge:

- The accuracy of brand-COO knowledge aids a brand to dominate the consumers' cognitive brand set domain.
- Brands that manage to create higher levels of brand-COO knowledge are likely to have a more focused perception about the COO image,

equally among consumers with accurate and inaccurate brand-COO knowledge.

- Organizations may exploit COO image or country brand equity for a more favourable product or brand positioning.
- More accurate brand-COO knowledge leads to better market leverage and positioning.

Country image studies have documented that the external factors such as the country's economic status, technology, social desirability, the characteristics of its people, natural image and so forth, influence country image or equity (Martin and Eroglu, 1993). Since country images or equity seemed to be specific to a product category, a fit between product category and country image is important for brand equity management (Roth and Romeo, 1992).

Audhesh et al. (2004) argue that developing countries face a dilemma operating in an emerging global economy of deciding whether to develop a set of images and associations for their brands that reflect local cultural or transfer the images that deliver brand equity at home and in markets where the brand is established. In conclusion, for the purpose of the present study, the following proposed solutions for South Africa leveraging brands in a global economy based on a framework provided by Kim (1995), that combines brand popularity and country image, may be suggested:

- Brand managers should focus on strengthening brand equity management given the country equity or liability.
- Constantly upgrade quality level of brands consistently with the images associated with their country of origin.
- Create brand images that are consistent with their favourable country images.
- Maintain market share of favourable brands.
- Differentiate brands by providing distinctive bundles of products dissociated from negative country images.

2.6.1 A Brand Briefing: Brand SA - "Alive with Possibility"[*]

According to Aaker (1991), a country may represent a strong symbol as it has close associations with products, materials and capabilities. Thus, Italy is associated with fashionable shoes, Germany with high quality automobiles and France with perfumes. Associating a brand with a country can exploit these associations (Aaker, 1991). However, to establish a country as a brand and concurrently market a country is a demanding and challenging task, mainly because countries are regarded as non-proprietary brands with vast complex stakeholder bases and very diverse target audiences. Furthermore, the market in which countries compete is becoming increasingly more competitive and countries are under extreme pressure to sell their particular products and services.

The International Marketing Council (IMC) of South Africa established in August 2000, due to the realization that it was imperative to create a positive and compelling brand image for South Africa. The Department of Trade and Industry (DTI) has been involved in the establishment of the IMC, whose mandate is to spearhead the conceptualisation and implementation of the Brand SA project. This project represents a strategic approach for the creation of a new unique South African identity.

Within the competitive environment of the 21st century, it would have been impossible for the IMC to carry out its responsibilities and achieve its objectives without a proper structure and management team in place. For the first two years of operation, the IMC consisted largely of building a framework for, and laying a foundation on which to build, Brand South Africa. Initially, they focused on building databases and establishing relationships with media and key stakeholders.

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[*] The briefing has been based on the following sources of information: www.imc.org.za, www.proudlysa.co.za, www.thedti.gov.za and www.gcis.gov.za (sites visited on 9 December 2005).

Currently, the IMC is a public-private sector partnership promoted to develop and sustain meaningful cooperation between organizations involved in marketing South Africa by creating, coordinating and integrating a compelling South African brand proposition. The IMC's mandate is extensive and covers an enveloping approach to the marketing of Brand South Africa:

- *Delivering One Image of South Africa through a Clear and Coordinated Effort:* The vision of the South African brand is considered to improve the quality of life of all South Africans by becoming the world's most competitive and admired emerging market. A consistent Brand South Africa image will create a strategic advantage for our country in an increasingly competitive marketplace through the 'South Africa Alive with Possibility' initiative.

  At the heart of the South African brand campaign, is the Proudly South African logo. Companies who meet the standards set by Proudly South Africa can use the logo to identify themselves, their products and services, thereby promoting South African companies, products and services. Meeting these standards assure consumers that companies and their products, carrying the Proudly South African symbol, are of a high quality, are socially responsible and are supporting the local economy.

- *To Provide Context and Balance in the News and Approach the Press Proactively rather than Reactively*: In April 2002, the IMC established a communications resource centre (CRC), which aims to enhance communication with key stakeholders in order to promote and maintain the integrity of the South African brand. The CRC monitors international media mentions of South Africa and tracks the uptake of the Brand South Africa messages. Ultimately the goal is to create proactive, not reactive communication. It also facilitates the integration of brand messages in the communication efforts of stakeholders.

The IMC launched an official, national web portal, www.southafrica.info, in 2002. It combines tourism, investment, trade and general information on South Africa. The site provides a leading portal aimed at marketing South Africa and providing comprehensive, updated country information. The portal also pulls together, and provides links to, numerous other online resources that market South Africa.

- *Focusing Efforts on Tourism, Trade and Investment:* These three areas have tremendous potential for job creation. By encouraging the creation of employment, the campaign strives to curb poverty. The 2010 Soccer World Cup organizational committee anticipates that the FIFA World Cup will create 123 000 new jobs, R17 billion in new investments and R5.6 billion in tax revenue. Furthermore, it is estimated that 350 000 tourists will arrive and spend nearly R10 billion.

According to Professor Roger Sinclair, a Witwatersrand University academic, the value of South Africa as a brand is estimated to be worth R379.5 billion based on his BrandMetrics methodology (Johnston, 2004). Brand South Africa's estimated value places it alongside some of the world's top commercial brands like Coca-Cola, Microsoft and IBM. Professor Sinclair deduced that sixteen percent of South Africa's income is derived as a result of the strength of South Africa as a brand (Johnston, 2004). The international evaluation was achieved by looking at South Africa's income stream and the three sources which account for the bulk of this income: earnings from exports, tourism and foreign investment (Johnston, 2004). Extensive market research conducted, determined the extent to which a brand's country of origin is a feature in spending and investment decisions and, therefore, how powerful the South African brand is in shaping these decisions (Johnston, 2004).

The IMC Council emphasizes ongoing relationship building and campaign integration among the investment, tourism and trade organizations in South Africa. In collaboration with the DTI, the IMC aims to create a positive

environment to increase domestic and foreign investment levels and boost South African exports. The Council's primary focus is on positively enhancing perceptions about South Africa and managing the country's reputation wherever these sectors are concerned.

In closing, Brand South Africa was created to help change the perceptions about South Africa and to manage the reputation of the country to elevate investment, tourism and trade in South Africa. Ten years into their democracy, South Africa has much to celebrate, including a stable and thriving economy, an extensive influx of tourists, a large pool of talent that is increasingly recognized internationally for their innovation and a future that grows brighter by the day. South Africa is truly 'alive with possibility'.

2.7 Summary

The purpose of this chapter was to provide clarity on the relevance and importance of brands in a highly competitive, knowledge-driven economy, including the changing concept of a brand due to its dynamic nature and the value it holds within the consumers' mind, i.e. knowledge and its symbiotic relationship with branding. Furthermore, the chapter provides the background and scope to view the fundamentals of strategic brand management and knowledge management practices and approaches to innovatively develop brands.

To achieve the objective of the chapter, a preliminary definition of a brand, for the purpose of the study followed, as a disagreement between how an organization defines a brand and how a customer perceives a brand has led to the conceptual confusion surrounding the new intangible asset. Subsequently, an analysis of the changing business model and the modern market challenges organizations are confronted with, resulting in the rising importance of brands and the need for strategic brand management were discussed. Building on these insights, the third section provides an analysis of the relevance and importance of brands. Thereafter, the study identified the knowledge content of a brand and discussed the volatile nature of brand knowledge and the

reasons why some brands may have larger knowledge content than others and how some brands may gain in knowledge content. In conclusion, a discussion of the strategic impact of brand country of origin knowledge on brand SA followed and illustrated with a brand briefing related to the brand SA marketing campaign.
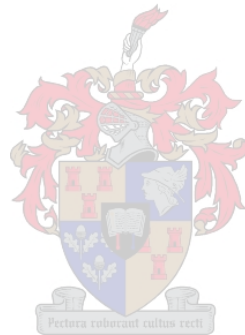
Chapter 3: Knowledge Management Systems and Practices Facilitating Knowledge Leveraging for Innovative Brand Development

3.1 Introduction

Rowley (2004) states that the fundamental tenet of knowledge management embraces knowledge as an entity that is a strategic business asset. Customarily, a range of knowledge management systems and practices are imperative to support the effective creation, dissemination and application of the different types of knowledge that are critical to organisational success (Rowley, 2004). However, a great number of organizational plans and designs have been inherited from the industrial age, where tangible assets played a more prominent role, leaving organizations ill equipped to manage their intangible assets (Saint Onge et al., 2003).

According to Saint Onge et al. (2003), knowledge represents a valuable source of competitive advantage and to fully leverage an organization's intangible assets, a firm requires a different leadership and strategic approach. In a progressively complex world, individuals encounter increasingly more choices concomitant with less time to make those choices. Therefore, creating a strong brand that delivers the brand promise, maintains, and enhances strength over time may provide a firm with a strong competitive advantage (Keller, 2003b).

The presentation of the chapter consists of three sections, commencing with a review of the deficiencies of traditional strategic management systems and practices. Thereafter, the study delineates certain paradigm shifts encountered by the knowledge-driven, innovation organization, necessitating the adoption of a new perspective for knowledge management systems and practices. The chapter will conclude with an anatomisation of a new perspective for strategic knowledge management systems and practices, allowing knowledge leveraging for innovative brand development.

3.2 Deficiencies of Traditional Strategic Management Systems and Practices

Leibold et al. (2005) clearly states that traditional strategic management systems and practices are showing serious deficiencies in dealing with the discontinuous links between an organization and the environment, notably as the new business environment eminently compels organizations to shift from a product-centric notion to a customer-centric sentiment (Duffy, 2000). Furthermore, the conventional approaches to strategic management cannot comprehensively deal with the richness and diversity of creativity and innovation now enabled by the knowledge-intensive, innovation economy (Leibold et al., 2005). Figure 8 illustrates the transition from a product-driven perspective to a consumer/user-driven view.

The production-orientated business model focused on increasing production volume and sales of commodity products, while keeping costs low (Leibold, 2005). An organization's focus converged on the information and product flow within the organization or flows over which the organization has direct control (Sahay, 2003). The industrial economy mentality sought to 'routinize' and stabilize business as priorities based on the economic rules of diminishing return and scarcity for plant, equipment, material and labour, guided management decisions and actions, emphasizing the control of cost to make a profit (Abraham et al., 2001). As a result, organizations began to commoditize products and services and commenced into a downward spiral of innovation due to the lack thereof (Abraham et al., 2001).
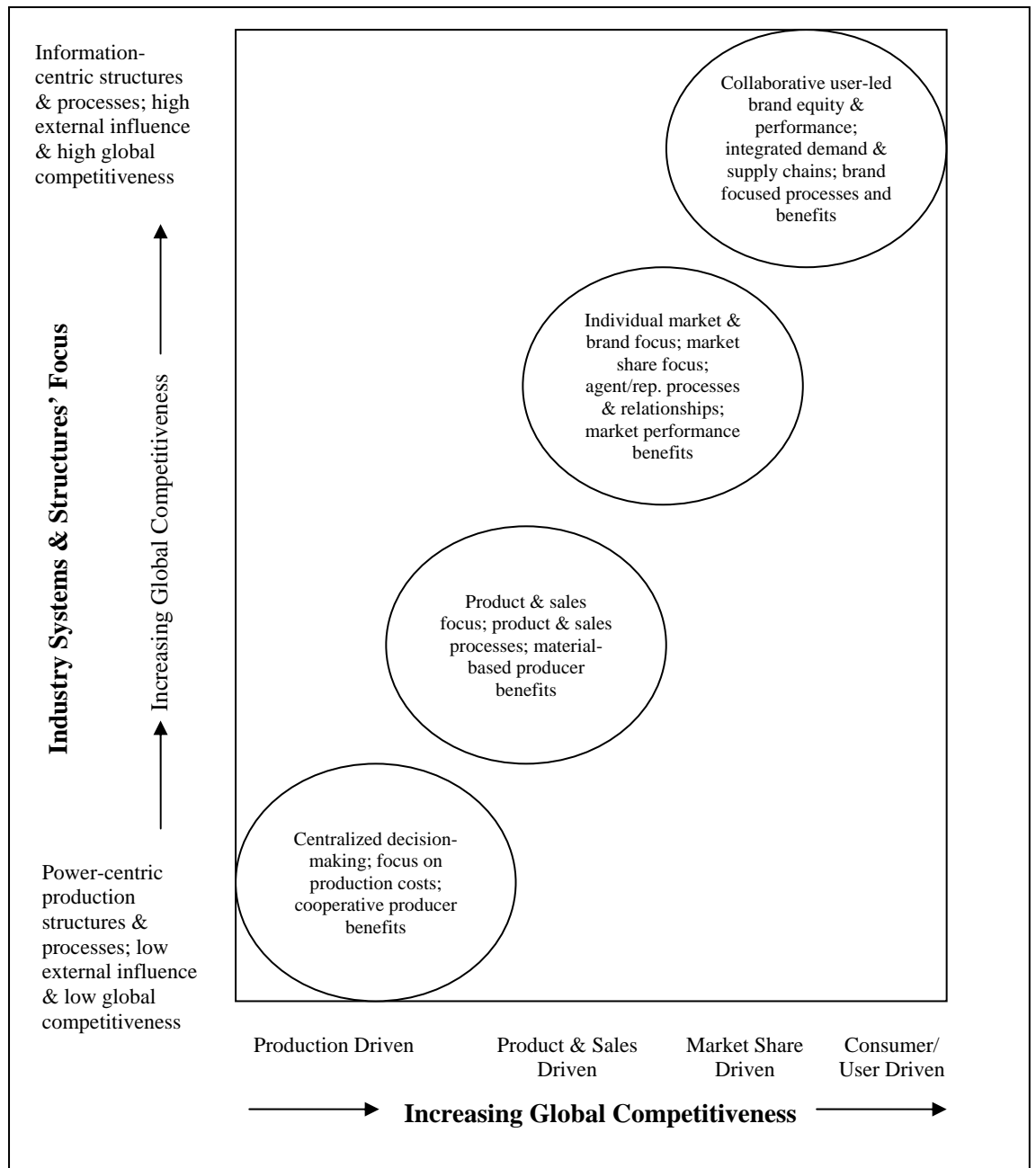
Figure 8: Industry Business Model

Adapted from Leibold (2005).

Traditionally, the classic, hierarchical model of 'top-down' management accompanying the production-orientated business model conceptualised the organization as a bureaucratic, information-processing machine (Dierkes, Antal, Child and Nonaka, 2001). The bureaucratic structure basis itself on a division of labour and a hierarchical distribution of authority and responsibility (Dierkes et al. 2001). The organizational structure was defined

as been highly formalized, specialized and centralized, with decision-making authority residing at the top of the organizational chart (Noe, Hollenbeck, Gerhart and Wright, 2003).

Dierkes et al. (2001) state that although bureaucracy may be suited to conducting routine work efficiently on a large scale when conditions are stable, it encounters difficulties in creating new knowledge when faced with uncertainty and rapid change. A hierarchical structure places many obstacles in the path of a knowledge worker seeking information as the information may be contained in another functional area (Probst, Raub and Romhardt, 2000). However, functional structures are appropriate in stable, predictable environments, where demand for resources can be well anticipated and coordinated, and supports an organization competing on cost and efficiency (Noe et al., 2003). In contrary, the knowledge creation process cannot be managed in the traditional sense of 'management' which concentrates on controlling the information flow as the dynamic nature of knowledge creation cannot be captured (Dierkes et al., 2001).

Furthermore, Dierkes et al. (2001) state that competition in many industries is no longer being determined solely or even primarily by the physical resources defined in economical measures but increasingly by strategies based on the human and systemic resources needed to enlarge the available knowledge pool and the capacity to create new knowledge. The consumer/user-orientated business model emerged from the necessity to foster the development of customer relationships, differentiate the product value by focusing on end-user brand equity and delivering higher product and brand performance benefits (Leibold, 2005).

A successful organization strives to create a knowledge-based demand and supply chain support system, focusing on consumer marketing processes, rather than a centralized controlling organizational structure focused on production processes (Leibold, 2005). Increasingly diverse networks of intrafirm relationships [inside an organization], extrafirm relationships [inside the firm's value system of suppliers, distributors, etc.] and interfirm

relationships [with all relevant stakeholders in the firm's ecosystem, including customers] are visible in various organizations (Leibold et al., 2005). Furthermore, prices are increasingly customer value-driven rather than sales-driven (Leibold, 2005). In an agile knowledge economy, customers increasingly determine the price they will pay based on the suppliers perceived efficiency and effectiveness (Preiss, 1999). Companies configure products and services into individualized and total solutions that their customers are willing to pay for (Preiss, 1999).

It is evident that the knowledge economy supersedes the industrial age. Knowledge-based assets have become the major source of competitive advantage in the international business arena. In accordance, knowledge-based competition and value creation occurs through intangible assets such as customer relationships, innovative products and brands, information technology and employee capability, rather than traditional tangible assets such as inventory, property and plant (Massingham, 2004).

A company that focuses less on hierarchical and bureaucratic structures, but rather on more communicative, participatory strategies, may develop an intelligent organization (Sharkie, 2003). An intelligent organization will enable the integration of employee knowledge and skills in competitively valuable ways and allow the development of the knowledge and skill capabilities to be able to utilize the resources to create competitive advantage by managing the value chain effectively, rather than the organization owning these resources (Sharkie, 2003).

Miller (1992) suggests that companies who adapt their organizational structure to the environment are best suited to meet the needs of the external environment. According to Leibold et al. (2005), traditional strategic management approaches could cause organizational inertia in business models' as it is human nature to prefer, to seek and even expect certainty. The systematic and analytical organizational systems and practices cannot respond to the fast changing environment caused by the paradoxes of the knowledge-driven, innovation economy. Leibold et al. (2005), assembles the deficiencies

of traditional strategic management systems and practices into two groups, namely 'outward-in' vs. 'inward-out' approaches, and 'prediction' vs. 'learning' approaches.

3.2.1 'Outward-In' vs. 'Inward-Out' Approaches

The 'outward-in' approach defines the purpose of strategic management as to first analyse the external environment, forecast and predict future environmental conditions and then competitively align the internal environment of the organization to achieve particular industry objectives. Conversely, the 'inward-out' approach first focuses on the organization's internal resources and capabilities and their leveraging possibilities to gain a competitive advantage, thereafter, incorporating external environmental conditions.

A high rate of environmental discontinuities characterizes the innovation economy due to the disruptive impact of networking technologies, speed of globalisation and fast rate of product innovation (Davenport et al., 2006). Consequently, environmental forecasting and prediction are impossible in many industries and a focus on trying to match and beat the competition leads to reactive, incremental and imitative strategic actions (Davenport et al., 2006). Kim and Mauborgne (1999) proclaim that for an organization to achieve sustained profitable growth, companies must break out of the competitive and imitative trap and rather strive to match or outperform the competition and cultivate value innovation.

A focus on value places the buyer, not the competition, at the centre of strategic thinking and emphasis on innovation pushes managers to go beyond incremental improvements to adopt entirely new ways of executing business (Kim et al., 1999). Furthermore, an inwardly driven focus on resources and capabilities limits an organization's opportunity horizon and introduces resistance to change if the market is evolving away from a firm's traditional forte (Davenport et al., 2006).

As stated by Leibold et al. (2005), the 'predictive' approach attempts to forecast a particular environment and probable position or fit of a company within that environment through its strategic forces. However, as the future is increasingly unpredictable, strategic management approaches necessitate flexible and speedy responses to a changing present (Davenport et al., 2006). On the contrary, the 'learning' approach proposes that the only sustainable competitive advantage for an organization is the ability to learn quicker compared to competitors (Leibold et al., 2005). Although the organizational learning approach demonstrates success for many organizations, the 'learning' perspective becomes more of an impediment to strategic management practices in dealing with the turbulent innovation economy (Davenport et al., 2006).

Saint Onge et al. (2003) recommend organizations to take a holistic approach to knowledge management instead of designing a systematic structure. A knowledge leveraging approach based on a unique combination of strategies, roles, processes and tools, working in concert to take advantage of an organization's knowledge capital, in order to successfully meet and exceed its goals and environmental challenges, is suggested.

3.3 Key Dimensions of a Knowledge-Driven, Innovation Organization

Before reviewing specific strategic knowledge management approaches and tools for knowledge leveraging aiding innovative brand development (the theme of chapter 4), it is critical to provide a basis or context for adopting a new strategic management mindset. A high level of dynamism characterizes the challenging environment organizations have encountered in recent years (Zárraga-Oberty and De Saá-Pérez, 2006). The increasing speed of the changes in markets, products, technologies, competitors, regulations and even in society, alter the strategic means by which organizations compete (Teece, 1998). To survive under these new circumstances requires the continual renewal of competitive advantage through innovation and the development of

new capacities (Grant, 1996). In this context, innovation may be better understood as a process in which the organization creates and defines problems and then actively develops new knowledge to solve them (Nonaka, 1994).

Increasingly, a number of organizations are gaining interest in exploiting their knowledge assets outside the organizational borders, viz. knowledge residing in the minds of customers, and in augmenting their knowledge network (Kafentzis, Mentzas, Apostolou and Georgolios, 2004). A shift in emphasis has occurred in which the focus has shifted from the inward enterprise focussed perspective to an outward customer focus that considers how additional value can be delivered to customers via value creating systems (Walters, 2004).

Parolini (1999) argues that the changes in the business environment require a new or different approach to strategic analysis, suggesting that models developed in the 1970s and 1980s are limited in a fundamentally different economic paradigm. A thorough review and analysis of the knowledge management literature elucidated certain paradigm shifts organizations competing in the knowledge-driven, innovation economy have encountered. The study presents the following paradigm shifts in an effort to summarize and synthesize the vast literature on knowledge management systems and practices, to define a new strategic management mindset for innovative brand development:

- A Shift in Value Chain Focus, encouraging;
- Collaboration of Consumer and Organizational Knowledge, to;
- Leverage Knowledge, for;
- Value Creation, and;
- Innovation, to achieve a;
- Competitive Advantage

The following sub-sections epitomize the pertinence of these paradigm shifts for an organization seeking to develop innovative new knowledge management systems and practices to enable knowledge leveraging for innovative brand development and value innovation in the 21st century.

3.3.1 A Shift in Value Chain Focus

Regardless of industry, relatively all companies are operating on faster evolutionary means and at greater risks than at any previous time (Mascarenhas, Kesavan and Bernacchi, 2004). Traditionally, product-centric companies believed that they could create value by product variety subsequently leading to product-centric innovation (Mascarenhas et al., 2004). However, the traditional way of competing has reached a level of parity in which businesses can no longer easily distinguish themselves solely based on technology, product or price (Johannessen, Olaisen and Olsen, 1999). The nature of the competitive, turbulent environment diminishes the value of a strategic advantage created by a single product and alternatively, the long-term competitive advantage of an organization is more likely to be created through a stream of successful innovative products and brands (Marsh and Stock, 2003).
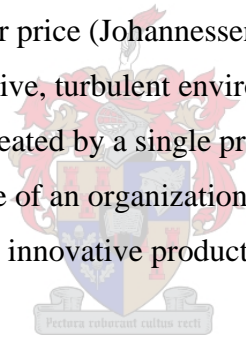
Prahalad and Ramaswamy (2000) state that customers will increasingly co-opt and co-create value, while innovation must be focused on their co-creation experiences. Strong brands will rise above other brands by better understanding the needs, wants and desires of consumers and creating marketing programs that fulfil and even surpass consumer expectations (Keller, 2003b).

Walters (2004) suggests that the integration of supply and demand chains creates an incentive to provide new opportunities for creating (or adding extra) market value. An interdependent relationship between supply and demand exists: companies need to understand customer demand before they can manage it, create future demand and, of course, meet the level of desired customer satisfaction (Walters, 2004). Demand defines the supply-chain

target, while supply-side capabilities support, shape and sustain demand (Walters, 2004).

IKEA illustrates the concept of co-creating value in unison with the customer by placing more attention on activities at the end of the value chain, i.e. the demand chain. IKEA arranges for its customers to design their own kitchens in interaction with a trained sales representative as they co-create solutions on a computer screen. IKEA has recently extended the idea of customisation by experimenting with computers in the stores so that the customers can even design their own furniture. Under the computerized system, IKEA and the customers both receive an opportunity to survey the vast range of possibilities now available due to module combinations.

The IKEA example further clarifies that the value creating process of an organization shifts forwards in the chain, i.e. it commences with the requirements, demands and problems of the consumer (Wikström, 1996). Eminently the traditional value chain compresses in time and place once the customer has become a co-producer and value-creating activities occur simultaneously (Wikström, 1996). The example elucidates the extent to which organizations are expanding from being a producer of physical goods and services to a firm becoming a knowledge producer and its productive efficiency determined by how well it links and integrates disparate sources of knowledge (Burton-Jones, 1999). Consequently, as stated by Wikström (1996), organization perspectives shift from a producer-customer view to a co-production notion. It is no longer a question of creating value for the customer; rather, it is about creating value with the customer and incorporating the customer's value-creation into the system (Wikström, 1996).

Concomitant with the ability of the value chain to add value, it is necessary for organizations to recognize and reinforce the impact of the customer throughout the chain (Prahalad et al., 2000). Organizations are commencing to recognize the importance of information in managing demand chains of the future (Lummus et al., 1999). Customers are fundamentally changing the dynamics of the marketplace as they adopt a more active role in creating and

competing for value, subsequently, becoming a new source of competence for the corporation (Gibbert, Leibold and Voelpel, 2001).

In light of the above-mentioned notion of the value chain, the concept of customer value chain involvement (CVCI) implies that the target customers of a firm should be exposed to the value chain of a firm, that is, exposed to its persons, processes, products, brands and their networking relationships (Mascarenhas et al., 2004). The IKEA example illustrates the value of CVCI in the case of innovative product development and value innovation. Mascarenhas et al. (2004) enunciate that the same reasoning can easily be extended to upgrading old products, the retro branding of new products and/or for differentiating and repositioning a firm's entire product line.

Cormican et al. (2003) state that brand innovation is a complex, cross-functional and dynamic process and in order to operate effectively, timely; accurate and reliable information from many facets across the entire value chain must be available to product managers and co-ordinators to make informed decisions. Effective supply and demand chains support deeper levels of customer success that go beyond customer satisfaction and relationships, as well as leverage and utilize customer knowledge and value chain partner knowledge for appropriate innovation (Davenport et al., 2006).

3.3.2 Collaboration of Consumer and Organizational Knowledge

Kim et al. (1999) assert that knowledge is increasingly superseding the traditional factors of production, viz. physical and fiscal assets in importance to create organizational wealth. Customer competence, defined by Prahalad et al. (2000) as the relevant knowledge of corporate customers, evidently represents an important source of organizational value for the company, if managed appropriately. Organizations understand that effective collaborations allow them to reduce costs, increase innovation, deliver more value to customers and create sustainable competitive advantage (Ferguson, 2005).

Given deconstructed value chains and networked business models, the very boundaries that traditionally separate the firm from its partners, suppliers and, most importantly, customers, become increasingly blurred (Gibbert et al., 2001). Anand, Glick and Manz (2002) suggest that a larger amount of knowledge exists outside organizational boundaries than what is located inside the boundaries of the organization, necessitating organizations to strive for a competitive edge to locate and tap knowledge in the external organizational environment. The locus of competence shifts from the organization to the customer and therefore, the locus of knowledge capital shifts from within corporate boundaries to include customers (Gibbert et al., 2001).

Leveraging customer competence creates vast opportunities for companies to incorporate the knowledge and competence of their customers to create innovative new brands and the ability to utilize customer competence to validate the knowledge already accumulated in an organization (Gibbert et al., 2001).

Furthermore, organizations and customers co-evolve knowledge and capabilities around new value propositions, working collaboratively and competitively to support the development of new products, satisfy different customer needs, configure new value chains and incorporate new rounds of innovation (Leibold et al., 2005).

According to Mascarenhas et al. (2004), innovation and the persons and links in the value chain generating knowledge and relationship assets for an organization, possess the ability to add value for the consumer and the organization simultaneously. The authors articulate the following benefits to the customer:

- The competitive experience of co-creating and co-owning the product or brand with the organization.
- The responsibility of purchasing and repurchasing the product or brand.

- Supporting the organization with positive referrals of its products, brands and services.

In addition, the following added value to the producer' is enumerated:

- Insights from customer interaction and participation.
- Continuous customer feedback, co-creation and co-ownership of products and brands.
- Customer satisfaction, retention and loyalty initiated by co-interaction.
- Positive referrals resulting from satisfied customers.

As proposed by Bahra (2001), knowledge management focuses on the ways in which organizations facing highly turbulent environments can mobilize their knowledge base or knowledge assets in order to ensure continuous innovation in projects. Sourcing and sharing knowledge within a complex business network with customers is increasingly incumbent. Organizations are required to value and manage knowledge and relationships concomitantly as a company can garner valuable information from a customer who has a commitment to a brand or organization (Massingham, 2004). The purpose of a knowledge strategy is to leverage the knowledge held by people throughout the organization and guide the creation of knowledge, which is transferable into market value, i.e. innovative brand development (Saint Onge et al., 2003).

3.3.3 Leveraging Knowledge

A review of knowledge management literature will provide the reader with an abundance of means to define knowledge management. There are about as many definitions of knowledge management as there are views on what constitutes knowledge (Garfoot, 2004).

Stefanou, Sarmaniotis and Stafyla (2003) define knowledge management as the process of capturing the collective expertise and intelligence in an organization and leveraging such knowledge to foster innovation through

continual organizational learning. Notwithstanding, for numerous organizations, knowledge management can be defined as the process through which they generate value from their intellectual property and from their knowledge-based assets, such as customer relationships, business plans and brands (Garfoot, 2004). However, knowledge only becomes valuable if utilized to create superior capability in an activity valued by customers (Massingham, 2004).

Innovative organizations recognize that faced with shorter product development cycles, rising development costs, rapid technology changes and increasing customer sophistication, they are required to build extended networks of partners, sources and suppliers to capture emerging opportunities by acquiring and leveraging competences and by accelerating technology transfer and the pace of commercialisation (Ferguson, 2005). The encompassing challenge that companies face in this new environment is how to identify and leverage all sources of value, not just the assets that appear on the traditional balance sheet (Walters, 2004). These important assets include customers, brands, suppliers, employees, patents and ideas, which are at the core of creating a successful business (Walters, 2004). Therefore, an organization is required to identify the assets most important in the new economy, how to leverage these assets to create value and the formation of new strategies incumbent for value creation (Walters, 2004).

The concept of ba, introduced in 1996 by Ikujiro Nonaka and Noboru Konno, can be thought of as a shared space for emerging relationships, providing a platform for leveraging individual and collective knowledge (Hussi, 2004). This space may be physical [e.g. office, dispersed business space], mental [e.g. shared experiences, ideas, ideals] or any combination of them (Fayard, 2003). Individuals form the ba of different groups, which, in turn, form the ba of an organization and these again form the ba of a market environment and further, society as a whole (Nonaka, Toyama and Konno, 2000). Ba could be considered as the place where a group share their knowledge, department, the organization itself, community and entire world, but the main facet is the

assumption that the place should have the facilities that enable people to interact, exchange ideas and share knowledge (Hasan and Al-hawari, 2003).

Fayard (2003) asserts that the concept of knowledge creation differentiates ba from any ordinary human interaction. Hussi (2004) considers ba a context that harbours meanings and accordingly, seen as a shared space that serves as a foundation for knowledge creation. Nonaka and Takeuchi (1995) define the essence of knowledge creation as the interaction between tacit and explicit knowledge, rather than tacit or explicit knowledge acting independently. The dynamic interaction generates innovation and organizational knowledge (Hussi, 2004).

In addition, the interaction both internally between the organization's members and externally in relation to the environment creates knowledge (Hussi, 2004). According to Ganzevoort (2004), knowledge management consists of both an internal and external approach. The internal knowledge management approach concerns the strengthening of relationships with employees and motivating them to share knowledge through recognition and reward. The external approach comprises of customer knowledge management, which consists of building relationships with customers and enhancing the flow of knowledge from the customer back into the development of products and services.

Zárraga-Oberty et al. (2006) define the essence of knowledge management as the ability of the organization to transform and leverage knowledge, especially its tacit dimension embedded in an individual, into organizational knowledge, creating a source of competitive advantage. To achieve this goal, organizations are required to provide a context of shared identity that favours this process (Zárraga-Oberty et al., 2006). Through a series of operations and management of ba, organizational invisible assets are created through fostering and shaping the key factors of knowledge creation (Li and Gao, 2003). The organization that successfully combines and leverages intangible assets, in the creation of their business models, are the same organizations that are creating the most value for their stakeholders (Walters, 2004).

3.3.4 Value Creation

Within the prevalent, turbulent environment characterized by innovation, successful companies will be those that transform information into value-creating knowledge and dynamically leverage the knowledge to innovate and capture additional wealth (Davenport et al., 2006). Value innovation is no longer concerned with striving to outperform the competition, nor is value innovation about segmenting the market and accommodating customers' individual needs and differences (Kim et al., 1999). Rather, value innovation makes the competition irrelevant by offering fundamentally new and superior buyer value in existing markets and by enabling a quantum leap in buyer value to create new markets (Kim et al., 1999). The organizational focus shifts to the creation of knowledge and understanding the relationship between knowledge and value creation (Mårtensson, 2000).

Saint Onge et al. (2003) assert that value creation occurs as knowledge exchange occurs among the three types of knowledge capital: human capital, customer capital and structural capital. Value capturing is no longer achieved by acquiring and protecting a secure position in a traditional industry, but rather, it is captured by innovating value in a business ecosystem that is quicker and greater at leveraging knowledge and reinventing or adapting the system as the industry evolves (Davenport et al., 2006). Successful knowledge companies create sustainable value through the creation and use of knowledge (Hussi, 2004).

Knowledge management can promote a collaborative environment for identifying existing knowledge, create opportunities to generate new knowledge, and provide the tools and approaches needed to apply what the organization knows in its efforts to meet strategic goals of leveraging knowledge (Saint Onge et al, 2003). However, any new knowledge which is created by a company must meet a very simple requirement in that it must add value to the company, only then is it considered knowledge with a strategic advantage and ability to create wealth (Tissen, Andriessen and Deprez, 2000).

<u>3.3.5 Innovation</u>

According to Keller (2003b), perceived innovativeness is a key competitive weapon in the new economy. An innovative brand image association involves the creation of consumer perceptions of a company as developing new and unique marketing programs, viz. investing in R&D, employing advanced manufacturing capabilities and introducing the newest product features (Keller, 2003b). 3M's long history of innovation demonstrates the importance thereof. The company regularly ranks among the top ten U.S companies each year in patents received and earns $16.7 billion in sales while investing only $1 billion into R&D (Keller, 2003b).

According to Abraham et al. (2001), strategic innovation involves making knowledge creation and innovative action a way of life, seeking to create and expand markets rather than just reacting to customer demand, and redirecting resources from profitable but dwindling lines of business to support emerging lines that are potentially more profitable. Products, services, systems and business models evolve within certain phases of growth and change, before the need to leap to a new level of sophistication and complexity, or surge into a downward spiral resulting in death due to a lack of innovation (Abraham et al., 2001).

von Stamm (2004) declares that innovation most often occurs when some previously unconnected bodies of knowledge converge. Furthermore, Sievewright, Eckenrode, Khirallah and Landry (2003) assert that the search for innovation commences with the collection and utilization of customer knowledge. Unfortunately, many companies ignore this key source of innovation, as well as collaboration of knowledge with other firms and customers. It becomes increasingly important for an organization to broaden the boundaries of business and innovate around markets and business models to collaborate with external parties (von Stamm, 2004). Within the new economy, the challenge arises for organizations to develop approaches that ensure that time is spent on genuine value-added, knowledge creating and knowledge utilizing activities that enable innovation (Leibold et al., 2005).

3.3.6 Achieving a Competitive Advantage

Massingham (2004) propose that organizations seeking a sustainable competitive advantage in the prevalent, dynamic international business environment must ensure they understand the value of their most important resource, knowledge. The knowledge-based theory considers knowledge as the only resource that provides an organization with a sustainable competitive advantage (Mårtensson, 2000). Nonetheless, knowledge as such will not have much value for the organization in building its competitive advantage, as only relevant knowledge can function in such a capacity (Mårtensson, 2000). Knowledge must be unique to the organization to provide a competitive advantage as publicly available knowledge, although valuable for business performance, can rarely allow the organization to achieve a competitive advantage (Sharkie, 2003).

Chen and Edgington (2005) consider the organization's ability to create knowledge and to take action upon it as the basis for competitive advantage. An organization's success will depend on the speed at which it can generate, capture and disseminate knowledge, and then use this knowledge to develop capabilities that rivals consider difficult to imitate (Sharkie, 2003). The ability to create knowledge and to continue to learn from it can become a competitive advantage as innovative knowledge developed today will become the core knowledge of tomorrow (Zack, 1999).

Aaker (1991) states that the business strategy of an organization, i.e. the way in which an organization competes, is easily imitable and therefore acquiring specialized assets and skills is incumbent for an organization seeking an advantage in a competitive environment. It is evident that intangible assets, such as brand equity and knowledge, are increasingly important organizational weapons as they can provide barriers to competitor thrusts, allowing a competitive advantage to persist over time (Aaker, 1991).

Analogously, Dierkes et al. (2001) observed that an organization's competitive advantage increasingly depends on knowledge-based intangibles such as

brands and an in-depth understanding of customers. Katsanis (1999) view a brand management model as a holistic system, receiving information from internal and external sources to create a structure to meet the needs of both internal and external constituents, and then develop strategies that could help attain a competitive advantage.

Furthermore, organizational challenges include the identification of key assets and skills on which the firm can base competitive advantages, build upon them, maintain them and then effectively exploit them (Aaker, 1991). Ma (2004) categorizes three generic types of competitive advantage:

- *Ownership Based* – A company achieves a competitive advantage through ownership or possession of certain valuable assets, factors, or attributes, e.g. strong market position, unique resource endowment or reputation. Strong brands typically have firmly established favourable and unique brand associations with consumers, thereby providing the key to building high brand equity underpinning brand loyalty (Keller, 2003b).

- *Access Based* – An organization obtains a competitive advantage in the form of superior access to factor and product markets, e.g. exclusive relationships with supplier or distribution channels. According to Kotler (2003), an organization will have more trade leverage in bargaining with retailers when owning a strong brand with high brand equity, as the brand possesses higher perceived quality by the consumer.

- *Proficiency Based* - A firm could enjoy a competitive advantage through its own superior knowledge, competence, or capabilities in conducting and managing its business processes. Keller (2003b) views brand knowledge as the key to creating brand equity as it creates the differential effect, which drives brand equity.

Porter (1997) asserts that a sustainable competitive advantage allows an organization to outperform the average competitor in its industry. However, it

takes conceptual thinking and innovation to maintain a competitive advantage (Hamel, 1999). Product innovation is critical in the brand management system as the ability to provide genuine product innovation, when compared to competitors, distinguishes those companies who are able to attain a competitive advantage (Katsanis, 1999).

3.4 A Knowledge Management Framework for Innovative Brand Development

Urde (1999) defines a brand-orientated company as an organization that generates value and meaning via its brands. To manage a brand-oriented company and the continual re-interpretation of physical products into symbols, an approach and a special competency are required (Urde, 1999). The potential value of brand building efforts will not be realized unless proper internal structures and procedures are put into place, within the organization, to capitalize on the usefulness of the brand equity concept and the information that is collected with respect to it (Keller, 2003b).

Hulbert, Berthon and Pitt (1998) elucidate the following observations and forecasts for future brand management:

- It is incumbent upon the whole organization to become committed to a focus on the customer, increasingly achievable through brands.

- Marketing must become far more active in the initiation and driving of innovation.

- The ability of information technology to enable and maintain large-scale consumer interaction and conversation increasingly supplements its use as a vehicle of analysis.

- To be effective, the onus for ownership and management of change in brands and the brand management system will increasingly shift to senior management.

Massingham (2004) proposes that knowledge alters the means by which firms compete, particularly in a global business environment where opportunities to create value are shifting from managing tangible assets to managing knowledge-based strategies. Accordingly, the shifting competitive landscape is being driven by the speed of competition and consequently, firms require a framework for managing knowledge resources in a dynamic and rapidly changing environment (Massingham, 2004). However, reviewing and summarizing all literature concerning knowledge management systems and practices to proffer a new strategic management perspective for innovative brand development and value innovation would be an arduous effort with little value due to the complexity of the subject. Hence, in an attempt to balance the ramification of the subject with a comprehensible mode of presentation, the analysis is limited to a knowledge management framework designed by Madanmohan Rao, the 'eight Cs audit' (Rao, 2005).

The 'eight Cs audit', based upon the author's comprehension, represent the eminent approaches to developing a new strategic management perspective. The knowledge management framework, as proposed by Rao (2005) consists of:

- *Connectivity* – Internal or external connectivity devices, interfaces, technologies and tools an organization's knowledge worker may access.

- *Content* – Knowledge assets relevant to the context of an organization's activities and strategies for codification, classification, archival, retrieval, usage and tracking of knowledge.

- *Community* – Core communities of practice aligned with the business and organizational support for identifying, nurturing and harnessing knowledge.

- *Culture* – An organizational learning culture where employees aspire for knowledge, trust one another and gain visible support from management.

- *Capacity* – Strategies for building knowledge-centric capacity in employees and the organization.

- *Cooperation* – Organizational cooperation on the knowledge management front with internal and external stakeholders, viz. business partners, suppliers, customers.

- *Commerce* – Commercial and other incentives to promote knowledge management practices.

- *Capital* – The measurement of knowledge usage and benefits in monetary and qualitative terms.
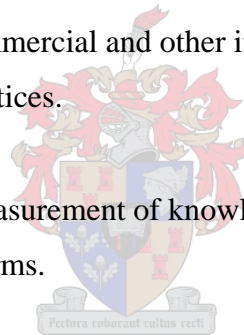
3.4.1 Connectivity

Product and brand innovation is a complex, cross-functional and dynamic process and in order to operate effectively, timely; accurate and reliable information from many facets across the entire value chain must be available to product managers and coordinators to make informed decisions (Cormican et al., 2003). Consequently, Cormican et al. (2003) suggest that organizations focus on connecting people to facilitate communication, collaboration and coordination for effective product and brand innovation management. Kim et al. (1999) believe that value innovation is the essence of strategy in the knowledge economy and it is increasingly important for organizations to seek ways to promote voluntary cooperation among organizational members, critical to value innovation efforts.

Kim et al. (1999) propose that an organization supply and create knowledge and ideas effectively as these are the primary inputs for value innovation. Creating knowledge networks have the potential to support knowledge-intensive companies in increasing efficiency through the reuse of knowledge and boosting innovation through leveraging knowledge (Büchel and Raub, 2002). Mentzas, Apostolou, Young and Abecker (2001) identify two main strategies for the employment of knowledge management:

- *The Process-Centred Approach*: Comprehends knowledge management as a social communication process. In this approach, the person develops knowledge and shares this knowledge through person-to-person interaction. The main purpose of information technology is to aid people to communicate knowledge rather than to store it.

- *The Product-Centred Approach*: The following approach is concerned with the creation, documentation, storage and reuse of knowledge in computer-based corporate memories.

The process-centred and the product-centred approach aim to support the identification, managing and leveraging of knowledge, through improved managing of the organization's knowledge assets (Mentzas et al., 2001). The ultimate goal for knowledge management technology is to create a connected environment for knowledge exchange (Mentzas et al., 2001). The underlying strategy becomes how to facilitate connections between those people who possess (the customer) and those who need knowledge (organizational brand development).

Leibold et al. (2005) articulate the displacement of the industrial era and its relatively static strategic management tools and processes, as their deficiencies in dealing with the discontinuous links between an organization and its environment emanate from their mechanistic approaches. Concomitant with the new knowledge-driven, innovation economy; markets, products, technologies, competitors, regulations and even entire societies are rapidly

diversifying (Dierkes et al., 2001). Consequently, knowledge rapidly becomes obsolete and an organization entails constant internal adaptation (Prusak, 1997). The prevalent turbulent market requires new strategic management approaches and tools to shape the environment, capture ideas and create new value to gain a competitive advantage, ensuing sustainable organizational fitness and survival (Leibold et al., 2005).

Knowledge management approaches and tools is the content of the subsequent chapter, therefore an analysis and synthesis of the pertinent literature regarding the subject of knowledge management approaches and tools forms the content of chapter 4. However, it is important to note that organizational leaders are required to make knowledge widely available to invite others to share, interpret and elaborate on, to create organizational value (Abraham et al., 2001). Although different methods are used to manage codified and personalized knowledge, the means of knowledge management should support the organization's competitive strategy, consider how value is created for customers, how employees deliver value and the overall financial status of the organization (Smith, 2001).

3.4.2 Content
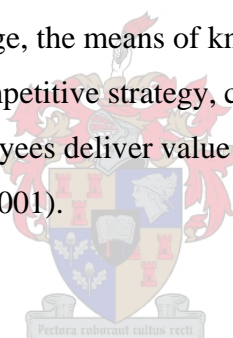
Customer knowledge is a constituent of an organization's intellectual capital. The management of the consequent knowledge flow is one of the most important challenges of customer relationship management [CRM] (Gerbert, Geib, Kolbe and Brenner, 2003). Organizational success increasingly revolves around competent management of customer knowledge and relationships (Rowley, 2004). The ultimate goal for an organization is to leverage the relationship they have with their customer, i.e. the in-depth customer knowledge, to guide strategy (Duffy, 2000).

In essence, knowledge management is working to better manage the content, quality, value and transferability of knowledge assets (Mentzas et al., 2001). According to Mentzas et al. (2001), a knowledge asset possesses the ability to

create, store and/or disseminate knowledge objects. Mentzas et al. (2001) defines a knowledge asset as to be:

- A person that can create new ideas, learning, proposals, white papers and so forth.
- A community of interest that can create new ideas and best practices.
- A process that can create and/or store and disseminate best practices, company standards, R&D material and the like.
- A vision that can create a new mission statement, strategic plan and goals.

An organization is required to develop a knowledge vision that provides direction for an organization's knowledge creation process and a frame of reference in defining the value of the knowledge created by the company (Hussi, 2004). A knowledge vision forms the basis for defining the company's generative intangible assets, how the dynamics of the SECI process should be directed and, in the sense of context, or ba, where this all takes place (Hussi, 2004).

Furthermore, as proposed by Mentzas et al. (2001), a knowledge object aims to facilitate and leverage knowledge-creating activities by providing information as needed and is comprised of the following characteristics:

- It acts as a catalyst, enabling the fusion of knowledge flows between people, with knowledge content discovery and retrieval through technology, i.e. a knowledge object acts as the primary connecting node for all key components in a knowledge management system, viz. strategy, people, process, content, technology.

- It facilitates the knowledge transfer from person to person or from information to person.

- A knowledge management process creates and maintains a knowledge object.

- A knowledge object searches, organises and disseminates knowledge content.

Mentzas et al. (2001) graphically depict (see figure 9) the important and central role of knowledge assets and knowledge objects in a Know-Net framework that also represents the following aspects:

- The knowledge strategy, processes, structure and systems a company develops in order to facilitate knowledge creation and leveraging among and between; and

- The knowledge interaction networks at the individual, team, organizational and inter-organizational levels.
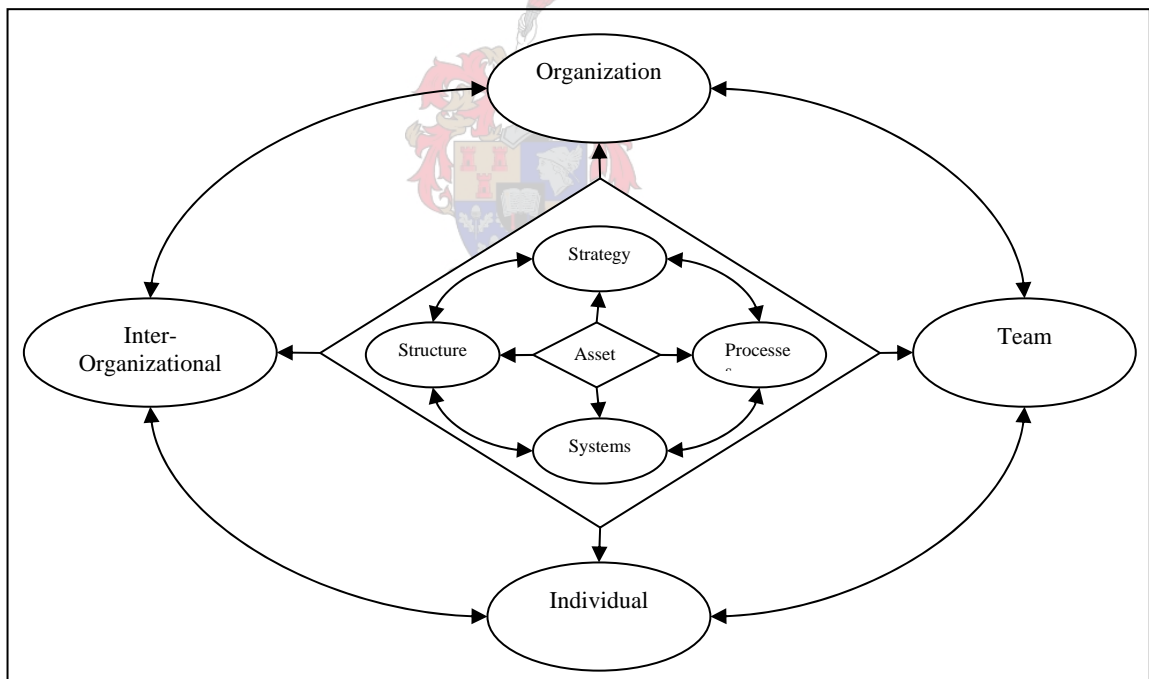

Figure 9: The Know-Net Framework
Adapted from Mentzas et al. (2001).

In light of the above mentioned knowledge asset and knowledge object' framework proposed by Mentzas et al. (2001), the customer-based brand equity (CBBE) model is introduced. The model incorporates recent theoretical

advances and managerial practices in understanding and influencing consumer behaviour, as well as how an organization can optimally build, measure and manage brand equity (Keller, 2003b).

The basic premise of the CBBE model is that the power of the brand lies in what resides in the mind of the consumer, i.e. what a customer has learned, felt, seen and heard about the brand as a result of their experiences over time (Keller, 2003b). According to the CBBE model proposed by Keller (2003b), building a strong brand depends on four steps:

- Ensure identification of the brand with customers and an association of the brand in customers' minds with a specific product class or customer need.

- Firmly establish the totality of brand meaning in the minds of customers by strategically linking a host of tangible and intangible brand associations with certain properties.

- Elicit the proper customer responses to this brand identification and brand meaning.

- Convert brand response to create an intense, active loyalty relationship between customers and the brand.

Hasan et al. (2003) propose a three dimensional view of knowledge, knowledge space (k-space). K-space provides a functional framework for categorizing organizational knowledge (Hasan et al., 2003). Furthermore, k-space defines the flow of knowledge and not the organization's stock (Das, 1997). Institutions, firms and markets create and use the flow of knowledge to transact and conduct business activities, e.g. innovative brand development (Das, 1997).

3.4.3 Community

Saint Onge et al. (2003) define a community of practice as a vehicle for learning where people generate new knowledge that increases the

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organizational stock of knowledge and facilitates the flow of knowledge capital in an organization. This is but one example of how the knowledge networked economy of the 21st century requires different strategic management tools than the familiar ones of the industrialist-era, as traditional, analytical tools have major deficiencies in coping with the demands of systemic strategic management in the knowledge economy.

Abraham et al. (2001) suggest that organizations allow individuals and organizations to self organize to create an open atmosphere in which people can explore possibilities, create knowledge and innovative actions and share their findings for organizational benefit. Dierkes et al. (2001) propose that organizations are required to provide a social and organizational setting that allows knowledge to flow to units within the structure, such as a community of practice, if a firm desires to learn from market signals and create new wealth. Communities of practice may facilitate the conversion of tacit knowledge into explicit knowledge, overcome the barriers to the transfer of knowledge and ensure collaboration among members (Zárraga-Oberty et al., 2006). Further analysis of the knowledge management tool, community of practice will be undertaken in the relevant subsequent chapter, chapter 4.
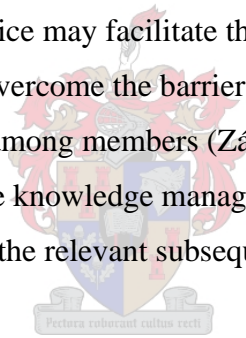
3.4.4 Culture

Organisations that succeed in knowledge management are likely to view knowledge as an asset and to develop organizational norms and values, which support the creation, and sharing of knowledge (Rowley, 1999). Bahra (2001) state that an organization who desires to develop into a knowledge-based company, face a most crucial and important challenge of creating the right culture and climate within the organization and developing the right people to adapt and embrace the new way of thinking, acting and working. The organization, in order to really manage customer relationships, has to primarily develop a culture to motivate employees at all levels towards learning and facilitate them in capturing, selecting, using, and sharing knowledge, by providing the means and the technology required to do so (Stefanou et al., 2003).

According to Abraham et al. (2001), an organization's vision, mission, values and goals provide a framework for generating ideas, developing concepts and selecting solutions to produce result-orientated knowledge and innovative actions. An organization requires a vision that orients the entire firm to the kind of knowledge that the firm needs, creates, acquires and retains (Dierkes et al., 2001). Discussions concerning these perspectives and aspirations of the organization may lead to a shared commitment and support for the process of knowledge creation and innovation (Abraham et al., 2001).
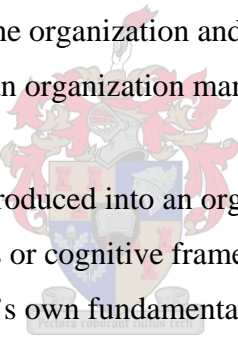
Dunn and Davis (2003) suggest an organization seeking to integrate a brand and business strategy may select and implement a few highly visible strategic brand initiatives, viz. a brand vision or brand position, to allow key people to experience the new brand informed approach. Organizations may take an inventory of their knowledge assets and then form a strategy, based on the knowledge vision, to build, maintain and utilize the knowledge assets effectively and efficiently (Dierkes et al., 2001).

Further research conducted by Skyrme (2003) illustrates that companies adopt two broad thrusts in applying knowledge management. Firstly, they share existing knowledge, making implicit knowledge more explicit and putting in place mechanisms to move it more rapidly to where it is needed and secondly, innovation, making the transition from ideas to commercialisation more effective (Skyrme, 2003).

Concomitantly, Lee and Yang (2000) articulate two organizational structures, the one been a formal structure and the other, informal. In formal organizations, people easily access explicit knowledge, whereas informal organizations are rich in tacit knowledge, which usually is the source of innovation (Lee et al., 2000). In addition, a strong cost-efficiency culture threatens the equity of a brand when the focus transfers onto improving the efficiency of operations including purchasing, manufacturing, promotions and logistics (Aaker, 1991). In such a culture, the management of the brand is not coordinated in a coherent manner and the equity thereof slowly deteriorates, compromising customer satisfaction for cost goals (Aaker, 1991).

Büchel et al. (2002) suggest that by creating a productive environment and relinquishing some control, managers committed to knowledge networks can provide a rich context for organizational members to help an organization respond to market pressures, i.e. managing at the edge of chaos. An organization that evolves to the 'edge of chaos' creates an area of business activity where the greatest potential for creativity and innovation resides (Leibold et al., 2005). Managing at the edge of chaos applies the concepts of complexity theory and requires a balance between 'no rules' or boundaries [total chaos] and rigid norms and controls [total control] (Leibold et al., 2005). Such organizations are capable of adapting to a complex, turbulent environment and reinventing their business model through innovative capabilities.

According to Dierkes et al. (2001), fluctuation and creative chaos stimulate the interactions between the organization and its environment and propose the following benefits of an organization managing at the 'edge of chaos':

- Fluctuation introduced into an organization creates a breakdown of routines, habits or cognitive frameworks presenting an opportunity to reconsider one's own fundamental thinking and perspective.
- Creative chaos increases tension within the organization and focuses the attention of organizational members on defining the problem and resolving the crisis.

- Requisite variety aids a knowledge creating organization to achieve a balance between order and chaos. In order to cope with the challenges posed by the environment, the internal diversity of an organization is required to match the variety and complexity of the environment.

A supportive organizational culture is a key prerequisite for knowledge sharing (Ardichvili, Page and Wentling, 2003). A successful culture will provide a work environment in which employees are engaged, challenged, motivated and rewarded in a positive way for their performance and contribution to an organization's success (Sharkie, 2003). A positive culture is

of critical importance as organizations operate in all areas through people, and it is their contribution that determines the firm's success, because it is people working, within and externally to an organization, not the organization itself, who provides the initiative and the productive input for innovative developmental activities (Sharkie, 2003).

Dunn et al. (2003) recommend that the chief executive officer and the senior management team demonstrate clear and consistent commitment to the brand, in order to operationalize a brand within the organization. In certain organizations, this type of senior level team refers to an executive brand council (Dunn et al., 2003). The council brings together the heads of the business units and functional areas to act as a team in brand building issues (Dunn et al., 2003). The brand is the responsibility of the entire organization.

3.4.5 Capacity

Li et al. (2003) propose that knowledge management serves as a framework to realize organizational goals. In nature, it is imperative to manage knowledge workers to be engaged in detailed knowledge work in an enabling environment, thus, the knowledge manager's task is to select proper methodology and management techniques to cultivate and maintain a climate for the socialization, externalisation, combination and internalisation of knowledge activities among individuals (Li et al., 2003). Valuable human and knowledge resources will be lost unless management openly accepts and supports efforts to gather, sort, transform, record and share knowledge (Smith, 2001). The forfeiture of priceless knowledge will continue, unless organizations improve the use of their prime resource (Smith, 2001).

Mentzas et al. (2001) propose a systemic method for building a knowledge-centric capacity in employees and the organization, which may be initiated at different levels depending on the company's readiness, needs and requirements:

- An organization is required to identify the benefits of knowledge management and its relationships to strategic and operational daily issues in the corporate environment. A key deliverable of this stage is the identification of key knowledge assets an organization desires to improve, e.g. brand equity.

- An organization develops a strategic knowledge management plan based on its vision and the scope and feasibility of the project. Strategic planning is a critical phase of a knowledge management project as it aids the organization to focus on the capture and creation of important knowledge, e.g. knowledge residing in the consumers' mind.

- The organization develops the structure and design of a holistic solution based on the organization's knowledge management value proposition, derived in the previous phase.

- The organization implements the knowledge management initiative.

- The organization employs measurement of the level of leveraging of knowledge assets with a knowledge management effort.

- An organization is required to train the knowledge workers to the new processes and technologies in order to achieve the advantages of knowledge initiated activities.

In addition, for effective knowledge creation, Dierkes et al. (2001) propose an organizational structure that can support the knowledge creation process. A top-down management approach provides only top management with sufficient circumstances for creating new knowledge (Hussi, 2004). On the other hand, a bottom-up management approach incorporates the individuals who possess the ability to create knowledge due to their advantageous position closer to the customer in the value chain. Consequently, Dierkes et al. (2001) propose a 'middle-up-down' management model to capture the dynamic

nature of knowledge creation where management adopts a leadership role in knowledge creation (Dierkes et al., 2001).

The interaction of the three layers provide knowledge vision, develop and promote the sharing of knowledge assets, create and energize ba, and enable and promote the continuous spiral of knowledge creation (Dierkes et al., 2001). Dierkes et al. (2001) suggest that a knowledge creating organization pursue both the efficiency of a bureaucratic organization and the flexibility of a task-force organization, i.e. a hypertext organization.

3.4.6 Cooperation

Knowledge management's rise to prominence reflects a widespread recognition that fundamental changes are taking place in the way companies do business with regard to their internal organisation and their external relationships with customers, suppliers and competitors (Mentzas et al., 2001). Knowledge management can not be viewed as a single entity but as a collection of elements that work together in varying combinations to accomplish the strategic goal of leveraging an organization's knowledge capital (Saint Onge et al, 2003). In accordance, Leibold et al. (2005) regard an organization as part of a business ecosystem that crosses a variety of industries and is open to multidimensional knowledge impacts and influences, rather than a member of a single industry. Consequently, the organizational challenge arises to develop organizational structures and processes that improve the management of the flow of knowledge across organizational boundaries (Dierkes et al., 2001).

Traditional boundaries that once separated the firm from its partners, suppliers and, most importantly, customers, increasingly blur due to globalisation, new technology, changing client demands, deconstructed value chains and altered business models (Gibbert et al., 2001). The strategic focus of an organization evolves into firms co-shaping and co-performing with the other players, viz. industries, stakeholders, organizations, markets and customers, in the business community to build co-opted capabilities and values around new innovations

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(Leibold et al., 2005). It is evident that through the differential use of information or knowledge, applied in concert with the knowledge of other members of the value chain, the firm is able to make value propositions to the consumer and gain a competitive advantage (Vargo et al., 2004).

Wikström (1996) asserts that when an organization conceives a customer to be a co-producer of value, the interaction between the parties should generate more value than a traditional transaction process. In particular, the deeper relationship will create opportunities for acquiring more knowledge, thus making the company better able to adapt to the customer and to provide higher quality (Wikström, 1996). Duffy (2000) defines customer capital as the value resulting from an organization's relationship with its customers that contributes to current and future revenues.

Rowley (2004) states that organizations are required to value and manage both knowledge and relationships, and to understand the interaction between the complementary paradigms of knowledge management and relationship management, as relationships have value in themselves, in that customers may have a commitment to a brand or an organization. These relationships are valuable not just for the knowledge that an organization can garner from the relationship, but also for the fact that relationships define a community, a marketplace, and, in general an arena in and through which the business can channel marketing messages (Rowley, 2004).

3.4.7 Commerce

The biggest challenge for knowledge management is to ensure employees and customers collaborate and share knowledge (Mårtensson, 2000). People do not automatically pass their knowledge on to others, as there are individual and cultural barriers that make people less willing or less able to do so (Probst et al., 2000). In addition, respondents may be either unwilling or unable to reveal feelings, thoughts and attitudes when asked directly as they feel the information is private or are even oblivious to the reasons they purchase certain brands (Aaker, 1991).

Employees and customers alike may be reluctant to share their expertise and knowledge due to their competitive nature, and may be more inclined to hoard than share the knowledge they possess (Mårtensson, 2000). Individuals may select knowledge creation activities that maximize personal utility, yet not organizational utility (Chen et al., 2005). Unless management clearly states expectations for sharing knowledge, employees are likely to share only explicit knowledge because it is easier to code, document and transfer (Smith, 2001). Employees must be encouraged and rewarded for sharing tacit knowledge when they write up their personal stories, document their insights and utilize rough diagrams to show how to solve a difficult problem or improve existing work processes (Smith, 2001).

A sense of strong trust within the organization and across its borders is incumbent for the knowledge creation process to occur and to encourage members to share knowledge, especially tacit knowledge (Dierkes et al., 2001). Customer-centric knowledge management requires a positive attitude and a desire to extract value for the organization by managing customer relationships over time (Stefanou et al., 2003). The organization, in order to really manage customer relationships, has to primarily develop a culture which motivates employees at all levels towards learning and facilitates them in capturing, selecting, using, and sharing knowledge, by providing the means and the technology required to do so (Stefanou et al., 2003). Ultimately, sharing knowledge impacts organizational efficiency and productivity in positive ways (Smith, 2001). Consequently, a most important issue when working on a knowledge management strategy is to develop fair and equitable reward systems to encourage tacit and explicit knowledge sharing (Smith, 2001).

Leibold et al. (2005) propose various incentive systems to motivate individuals to share knowledge including monetary compensations, the self-satisfaction of being able to create something, peer recognition and the sense of belonging to a team that contributes to an organization's value. Furthermore, Mårtensson (2000) suggests that an organization should link its knowledge management strategy to what the organization is attempting to

achieve to articulate the purpose of the strategy and the benefits an organization expects to gain.

In addition, Aaker (1991) proposes an organization to utilize a more indirect approach to gaining customer knowledge, rather than posing direct questions to the consumer. Indirect methods consist of the consumer associating the brand with words, interpreting scenes in which a brand or product plays a role, identifying the use experience of a brand, or observing the decision making process of a consumer's purchase (Aaker, 1991). Organizations are necessitated to encourage people to collaborate as equals and share their knowledge assets with others to co-develop innovative value (Smith, 2001).

3.4.8 Capital

The measurement and evaluation of a brand is an important challenge management currently faces as estimating the value of a brand represents the underlying worth of these valuable assets. However, the current accounting system cannot adequately capture the value of the knowledge assets due to the tacit nature of knowledge (Dierkes et al., 2001). Knowledge managers, unlike financial managers, cannot rely on tried and trusted ranges of measuring procedures, but never the less, it is important to measure the value knowledge contributes to a company (Buckman, 2004). According to Skyrme (1997), there are three main motivations for managers to measure their intangible and knowledge assets:

- It provides a basis for company valuation (asset focus).
- It stimulates management focus on what is important (action focus).
- It justifies investment of knowledge management activities (Benefit focus).

One of the first companies to take stock of their knowledge was the Swedish Skandia Assurance and Financial Service Company. The main purpose for Skandia to produce an account of its intellectual capital is to provide a more

systematic analysis of non-intangible assets. The utilization of a system of indices (including financial, customer, employee, process, and renewal and development indices) enables an organization to enter the knowledge and skills of highly trained employees, along with other factors such as customer relationships, the organization's market reputation and its information technology (Probst et al., 2000). Subsequently, the construction of a diagram, known as the 'Skandia Navigator' illustrates the relationships between the company's strategic trends and the variables chosen to define its intellectual capital (Probst et al., 2000).

According to Lee et al. (2000), the following two categories measure knowledge performance:

- *Financial Performance*: An organization may calculate their intangible value by comparing a company's return on assets (ROA) with published average ROA for the industry. However, financial assessments such as ROA and return on investment (ROI) are particularly difficult to make for knowledge management activities.

- *Non-Financial Measures*: Including operating performance outcomes and direct measures of learning. All the non-financial measures reflect the core competence of a corporation. The balance scorecard supplements traditional financial measures with additional perspectives concerning customers, internal business processes, and learning or growth (Bahra, 2001).

In addition, Buckman (2004) has identified two metrics that measure the ultimate outcome of being able to maintain the economic viability of the company and grow as fast as possible, while keeping the customers satisfied: speed and innovation. An organization is required not only to function effectively but also at a speed that ensures it achieves its goals faster than the competition (Buckman, 2004). Moreover, the quality of the organization's

innovation will determine how much distance it can put between itself and the competition (Buckman, 2004).

Organizational managers of successful 21st century brands will create formalized measurement approaches and processes that ensure that they continually and exhaustively monitor their sources of brand equity and those of competitors (Keller, 2003b). Managing brand equity requires an organization to adopt a broad, long-term perspective of brands (Keller, 2003b). A long-term view of brand equity is incumbent due to the implications that changes in marketing activities and the environment have on consumers' brand knowledge structures and thus, the response to future organizational activities (Keller, 2003b).

In order for brand equity to provide a useful strategic function and guide organizational decisions, management must understand the sources of brand equity, how they affect outcomes of interest and how these sources and outcomes change over time (Keller, 2003b). Aaker (1991) bases the assessment of the value of brand equity on the price premium that the name supports, the impact of the name on customer preference, the replacement cost of the brand and the stock value minus the value of other assets. The most persuasive measure however, may be a multiplier of the earning power of the brand (Aaker, 1991). An analysis of the relative strength of the brand assets defines the multiplier (Aaker, 1991).

A brand-equity management system, as defined by Keller (2003b), consists of a set of organizational processes designed to improve the understanding and use of the brand equity concept within a firm. Keller (2003b) proposes two approaches to measuring customer based brand equity:

- *Indirect Approach*: Attempts to assess the potential sources of customer-based brand equity by identifying and measuring consumers' brand knowledge structures, i.e. brand awareness and brand image.

- *Direct Approach*: Attempts to measure customer-based brand equity by assessing the actual impact of brand knowledge on consumer response to different elements of the brand-marketing program.

The value of knowledge management has been an ongoing debate as it is difficult to measure the tangible value or results of knowledge management because it is an intangible item. Debate arises to whether or not knowledge management makes a significant contribution to creating a competitive advantage or an increase in service quality. As Saint Onge and Wallace state… "Debate is healthy! It forces practitioners and theorists alike to support their positions with comprehensive evidence" (cited in Saint Onge et al., 2003, p. 31).

3.5 Summary

In light of the new knowledge-driven, innovation economy, the first two sections of the chapter critically discussed the discontinuities that characterize traditional knowledge management systems and practices and certain paradigm shifts encountered by the organization. The purpose thereof was to demonstrate the key dimensions of a knowledge-driven, innovation organization and the subsequent need of a new perspective for knowledge management systems and practices, supporting the effective creation and leveraging of knowledge, critical for innovative brand development.

Although these approaches are not irrelevant or obsolete within the new economy, the key issue is that these approaches used on their own are likely to be ineffective in a turbulent, networked innovation economy (Davenport et al., 2006). New forms of strategic management approaches are necessary, which are proactive, collaborative and systemic to constructively bridge the disruptions and discontinuities in the environment of the early 21st century (Davenport et al., 2006). In conclusion, the chapter proposes a new strategic management perspective for innovative brand development, based on the framework of the 'eight Cs audit' by Madanmohan Rao (2005).

Chapter 4: Relevant Knowledge Management Approaches and Tools for Innovative Brand Development

4.1 Introduction

Business strategists and organizational theorists have embraced the value of knowledge in creating a competitive advantage (Rowley, 2004). Presently there is a profound recognition by academics and practitioners alike concerning the importance of creating, managing and exploiting knowledge in order to survive in a marketplace that is increasingly competitive and where the rate of innovation is rising (Desouza, Chattaraj and Kraft, 2003). This fact has fuelled the development of interest in the field of knowledge management, as both practitioners and researchers seek to improve their understanding of knowledge management approaches and tools in pursuit of business advancement (Rowley, 2004). Knowledge management processes not only merely support value generation but also have inherent value creation capabilities (Gerbert et al., 2003).

Every organization has a business model or concept, i.e. its 'way of doing business' that is shaped and changed in symbiosis with market opportunities and other organizations (Leibold et al., 2005). The organizational capacity for knowledge management is dependent on changing the way people behave and the processes the organization uses to develop and share knowledge, as previously reviewed in chapter 3. However, enabling tools must support both the people and the processes.

The following chapter commences with a review of the organizational need for new knowledge management approaches and tools in the 21st century, as traditional tools are inadequate in coping with the demands of systemic strategic management in the knowledge economy. Subsequently, the chapter provides a critical analysis of knowledge management approaches and tools pertinent for brand development and innovation, including customer knowledge management (CKM), customer experience management (CEM), the SECI model of knowledge creation, and communities of practice (CoPs).

4.2 The Necessity of Knowledge Management Approaches and Tools for Innovative Brand Development

Knowledge management, as a discipline, is concerned with the enhancement of the understanding and exploitation of the processes that are associated with the optimisation of the development of organizational knowledge assets, to further organizational objectives (Rowley, 2004). Practitioners and academics increasingly recognize knowledge as one of the most important sources of innovation and new customer value propositions, emanating from individual, organizational and communal knowledge creativity and utilization (Leibold et al., 2005).

Accordingly, von Stamm (2004) states that the most successful innovations are those that address customer needs and create value. However, the ultimate challenge becomes how an organization is able to identify and understand customer needs to meet their expectations and create value at a pace that meets the rapidly evolving needs of customers and outperform competitors' offerings. In response, unprecedented demands placed on the creation and leveraging of knowledge at all levels inside and outside the organization, provide the customer with an integrated and innovative solution (Saint Onge et al., 2003).

As knowledge is so dynamic and prevalent inside and outside the organization, it often creates the impetus for identifying strategic gaps (Leibold et al., 2005). A strategic knowledge gap analysis can be utilized to identify what the firm must know in terms of being able to meet the industry's key success factors in a superior manner to rivals (Sharkie, 2003). Leibold et al. (2005) identify the gap between what an organization must do (e.g. adapt or change) and what they are currently capable of doing, conceptualised as a systemic strategic gap, i.e. a gap between the current dynamic capabilities of a business system and what is required for future strategic resilience.

Probst et al. (2000) explain that an organizations interaction with its knowledge environment exposes its internal knowledge gaps and eliminates

knowledge deficits. Once the knowledge the organization must know has been determined, a comparison of existing organizational knowledge identifies the steps needed to eliminate the knowledge gaps (Sharkie, 2003). Figure 10 illustrates the process necessary to identify the systemic strategic knowledge gap.
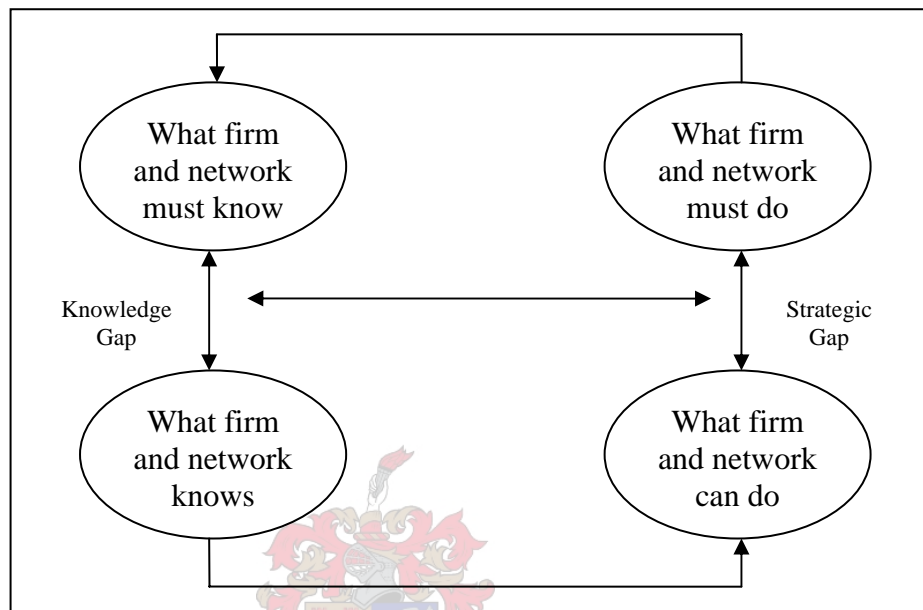
Figure 10: The Systemic Strategic Knowledge Gap
Adapted from Zack (1999).

Leibold et al. (2005) state that the dynamic capabilities required for future strategic resilience indicate the relevant important knowledge needed, and when compared with the organization's existing knowledge base, indicates the knowledge gap for the business system. For example, if the strategic knowledge gap analysis uncovers a knowledge deficiency, then the organization may be limited in its abilities to compete successfully and therefore required to create or obtain the needed knowledge (Sharkie, 2003). In addition, if the gap analysis reveals that certain explicit knowledge is available to rivals, but is not currently available to the organization, then the organization will also need to acquire the relevant knowledge (Sharkie, 2003).

Contrarily, if the organization has an excess of knowledge compared to its need for knowledge, then it is in an ideal situation to be able to leverage this knowledge resource for the benefit of the organization (Sharkie, 2003). This leverage, or exploitation of knowledge, maximizes the value of the knowledge resource in the same manner as leveraging any other organizational resource (Sharkie, 2003).

Similarly, Keller (2003b) proposes a model measuring the ability of an organization's communication activities to achieve the desired brand knowledge structures and elicit the differential response that builds brand equity. According to the customer-based brand equity model, marketing communications can contribute to brand equity by creating awareness of the brand, linking strong, favourable and unique associations to the brand in consumers' memory, eliciting positive brand judgments and facilitating a stronger consumer-brand relationship (Keller, 2003b).

Figure 11 displays the simple three-step model for evaluating the effectiveness of an organization's communication activities and the means to identify the required knowledge gaps to build brand equity. Concomitant with the model, Keller (2003b) proposes that an organization answer the following questions in order to identify the knowledge gap:

- What is the organization's current brand knowledge? Have they created a detailed mental map?

- What is the organization's desired brand knowledge? Have they defined optimal points of parity and points of difference between brand values?
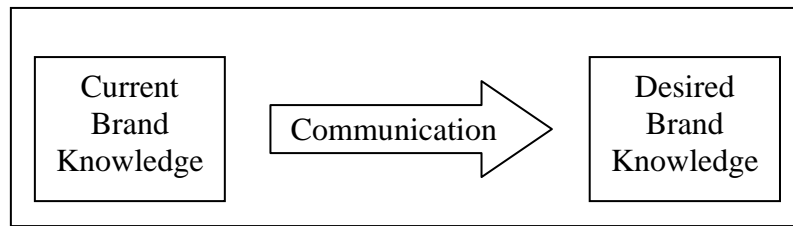
Figure 11: Identifying Knowledge Gaps to Build Brand Equity

Adapted from Keller (2003b).

By comparing the above two mentioned approaches, it may be concluded that the two proposed models display analogous objectives in the sense that they both identify the strategic knowledge gap in order for the organization to acquire relevant knowledge and adapt their dynamic capabilities to create new organizational value for future strategic resilience, viz. building strong brand equity. The key to building brands more strategically is to combine forward-looking market segmentation with a better understanding of customers and brand identity, as targeting precisely the needs of customers is the core of an efficient brand building process (Aufreiter, Elzinga and Gordon, 2003).

An organization that manages the knowledge of their customers is more likely to sense emerging market opportunities before their rivals, constructively challenge the traditional ways of doing business and rapidly create new value for the organization (Leibold et al., 2005). The wealth of information about customers, buying patterns and the availability of more sophisticated and accessible knowledge management tools make it possible to undertake innovative brand building activities with more precision and accuracy (Aufreiter et al., 2003).

Rowley (2004) considers knowledge management to be a complex process as knowledge is intangible, surfaces in a variety of different forms and involves a range of knowledge-centred processes. Knowledge management entails all of the processes associated with the identification, sharing and creation of knowledge; therefore, it is incumbent for future organizational success and brand development (Rowley, 1999).

Traditionally, costly trial and error approaches have identified the elements that deliver a brand's value to the consumer (Aufreiter et al., 2003). The process involves posing direct questions about a brand's functional benefits, analysing the results through techniques such as conjoint analysis and then taking a series of creative leaps that qualitative research may not validate (Aufreiter et al., 2003). Although this process has proven useful, the functional focus of the approach may overlook a brand's subtler and intangible dimension, e.g. the relationship between a brand and the customer (Aufreiter et al., 2003).

In essence, the knowledge-driven, innovation economy of the 21st century requires different strategic knowledge management approaches and tools than the familiar ones from the industrial era (Leibold et al., 2005). Organizations require approaches and tools for the capture, creation and leverage of knowledge to cultivate and facilitate a strong brand building and value creation process.

4.3 Customer Knowledge Management

Gibbert et al. (2002) indicate a difference between knowledge about the customer and knowledge from the customer. Knowledge about the customer resides in CRM databases, while knowledge from customers empowers the customer as a knowledge partner of the organization (Ganzevoort, 2004). Companies are increasingly realizing that the customer possesses valuable knowledge and that this knowledge creates organizational value if leveraged, e.g. innovative brand development.

4.3.1 Origin, Rationale and Purpose

Within the knowledge-driven, innovation economy, an organization's mindset is shifting towards looking at the customer as a knowledgeable entity, seeking opportunities to partner with customers as equal co-creators of organizational value and concerned about creating value through innovation and growth rather than efficiency and cost savings (Gibbert et al., 2002). According to

Davenport, Harris and Kohli (2001), an organization is more likely to succeed if they consider the consumer in the transaction process, as examining customer data enables a company to better understand and predict customer behaviour.

Gerbert et al. (2003) emphasize that organizations gain knowledge from customers because customers gain their own expertise while using a product or service, and customers are equal partners when discussing changes or improvements. CKM is the strategic process by which successful companies can emancipate their customers from passive recipients of products and services, to empowerment as knowledge partners (Gibbert et al., 2002).

Leibold et al. (2005) define CKM as the management of knowledge from customers, i.e. the knowledge residing in the consumers' mind. Knowledge for customers and knowledge from customers are part of the relational intellectual capital of a firm (Ordóñez de Pablos, 2002). In this regard, the most critical issue is how to collect, store, and distribute only that knowledge which is required and not to waste time and effort on collecting and storing unavailing knowledge (Gerbert et al., 2003).
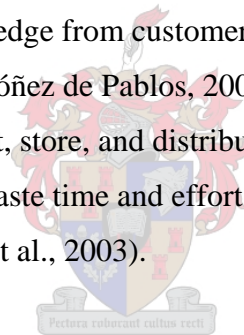
4.3.2 Approach and Tool

Gibbert et al. (2002) state that CKM requires a different mindset along a number of key variables. The CKM model follows a different approach by defining the relevant knowledge characteristics based on a business perspective (Gerbert et al., 2003). According to Gerbert et al. (2003), the CKM model perspective encompasses four goals:

- *Knowledge Transparency*: Supports the execution of business processes in defining their requirements concerning the manageability of customer knowledge. A high degree of manageability requires a high degree of transparency.

- *Knowledge Dissemination*: Supports the business process in defining the degree of customer knowledge distribution required among all the individuals who participate in process activities. The management of dissemination requires the management of knowledge transparency.

- *Knowledge Development*: Supports the business process in defining the requirements concerning the adaptation and creation of knowledge. From a CKM process perspective, valuable customer knowledge development requires the ability to disseminate knowledge among individuals. The management of knowledge development therefore requires the management of knowledge dissemination.

- *Knowledge Efficiency*: The goal of knowledge efficiency supports the business process in selecting the knowledge crucial for the CKM process from the large body of knowledge available. Knowledge efficiency requires the manageability of knowledge development as it necessitates a high level of comprehension of current and future customer needs essential for enhancing the CKM processes. Within an uncertain environment, one of the most difficult managerial decisions is to voluntarily destroy or disregard customer knowledge, based on the understanding that this knowledge will actually hinder the knowledge flows within a business process.

Furthermore, Gibbert et al. (2002) identify five styles of CKM, which any organization, dependent on the nature of its various customers, may apply simultaneously:

- *Prosumerism*: An organization centres their attention on co-production of products and services with the customer. Prosumerism enables the customer to learn more about the organization's available options, which then enables the customer to make better-informed choices and assist in the creation of product offerings (Ganzevoort, 2004).

- *Team Based Co-Learning*: Focuses on reconfiguring entire organizations and systems of value. The organization interacts with the customer to create co-learning. The organization is required to structure resources so that this learning may occur in order for customers to learn from one another (Ganzevoort, 2004).

- *Mutual Innovation*: Customers become co-innovators and co-developers of products and services, as the knowledge residing in the consumers' minds is an important source of new ideas and innovation.

- *Communities of Creation*: Span organizational boundaries to create common knowledge and value by placing together customer groups of expert knowledge that interact with the organization and with each other, jointly creating and sharing knowledge.

- *Joint Intellectual Property Ownership*: This style of CKM incorporates the notion of the corporation as owned by its customers. Thus, intellectual property does not reside in the company, but owned partly by the customers.
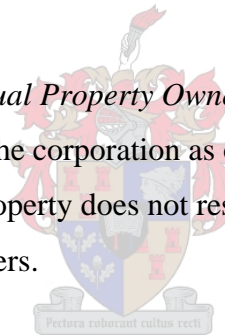
4.3.3 Benefit of Tool for Brand Development Knowledge Leveraging

CKM is concerned with gaining, sharing and expanding the knowledge residing in the mind of the customer to both consumer and organizational benefit (Gibbert et al., 2002). The ultimate goal of an organization is to identify the means necessary to leverage the relationship with the customer, i.e. an organization's in-depth customer knowledge (Duffy, 2000). However, knowledge is still a resource that abides by the laws of economics, it has a diminishing marginal utility and normally its management does not directly generate business value (Gerbert et al., 2003). Therefore, it is incumbent for organizations to align knowledge management models with the firm's objectives and utilize the supportive performance of managing knowledge in a CRM environment (Gerbert et al., 2003).

In a White Paper presented by Primix Solutions (2000), an organization, equipped with the general principles of CKM, can identify the following basic actions to gain tangible benefits from CKM:

- Consolidate data from various sources into a consistent knowledge base via content engineering. Content (structured and unstructured, rich information stored on papers or in computers) and people (such as customers, suppliers, experts and analysts) define the two elements of non-transactional knowledge systems.

- Include knowledge from and about customers and their needs with other knowledge in creating new products and services. Knowledge from or about customers, the products they desire, the problems they encounter using them and the help they need must be leveraged to close the cycle and generate value from information.

- Use solutions learned from customers in customer support centres for product development. The relationship between an organization and its customers provides a means to identify and exploit a vast amount of knowledge.

- Utilization of business intelligence (knowledge about customers and markets) from the Internet in an organized fashion provides favourable benefits.

- Exploration of strategic options using customer knowledge by visualizing cause-and-effect relationships renders profitable advantages.
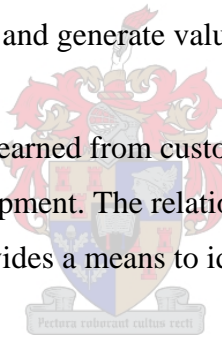
4.4 Customer Experience Management

Probst et al. (2000) state that at certain times an organization only sees that which it has previously learned to see and may miss many important details.

As a result, organizations lose many opportunities to import knowledge, to co-operate with external parties, or to utilize important networks outside the boundaries of the organization (Probst et al., 2000). A new approach to determine customer satisfaction, called CEM is emerging to help business executives implement a framework to build customer-supplier relationships (Kiska, 2002).

4.4.1 Origin, Rationale and Purpose

Kiska (2002) regards CEM as a critical addition to CRM. Although CRM traditionally tracks and records previous sales and service transactions, this approach only captures the historical view of customer transactions (Kiska, 2002). On the other hand, CEM is an integrated approach providing the means to develop a 360-degree view of the customer and help build and sustain customer relationships (Kiska, 2002). Ganzevoort (2004) relates CEM as a part of CRM and compliments the building of brand awareness.

Berry, Carbone and Haeckel (2002) assert that organizations are required to gain an understanding of the customer's journey from the expectations they have before the purchase experience occurs to the assessments they are likely to make when it is completed. Using the knowledge, companies can orchestrate an integrated series of clues that collectively meet or exceed a consumer's emotional needs and expectations (Berry et al., 2002). The internalised meaning and value the clues take on can create a preference for a particular experience and thus for one company's product or brand (Berry et al., 2002).

Ganzevoort (2004) state that brand building no longer takes place through mass media but is built through every interaction the customer has with the organization by means of the organization's touch points, i.e. every opportunity the organization has to deliver the brand value to the customer. Consequently, it is increasingly critical for an organization to design and manage the customer experience. The experience the customer receives builds

loyalty and forms the relationship between the customer and the organization (Ganzevoort, 2004).

4.4.2 Approach and Tool

A report published by The Institute of Management and Administration (IOMA) in 2002 concerning CRM practices, states that CEM is a continual process that involves the following steps:

- Capturing customer experiences.
- Evaluating the interactions on an ongoing basis.
- Analysing the experiences to provide a picture of the overall quality of the customer's experience and the details within it.
- Improving your business processes by responding to the results of the analysis.

4.4.2.1 Capturing Customer Experiences

The CEM process begins by identifying key measures for each company department to support its decision-making processes (Kiska, 2002). A customer feedback tool is developed and used to collect information on these key measures (Kiska, 2002).

CEM concentrates on understanding the aspirations of customers through their brand usage and views the customer's service experience in the context of the customer lifestyle (Ganzevoort, 2004). Furthermore, CEM involves an understanding of what customers expect from suppliers (Ganzevoort, 2004).

4.4.2.2 Evaluating Interactions

Several CEM solutions and concepts exist to evaluate the customers' experience. Kiska (2002) identifies the following approaches, that when combined, create an extremely powerful decision-making framework applied across all company functions:

- *Customer Satisfaction Measurement*: Involves collecting data on the attitudes and opinions of customers about the products and services they consume. As customer feedback is collected, CEM reporting software can immediately generate reports and analyses. Managers use this information to proactively respond to customer service and satisfaction issues.

- *Complaints Management*: Provides the means for customers to formally complain about service or product-related issues thereby gaining valuable knowledge directly from the customers' experiences.

- *Customer Recovery Solutions*: Collects customer feedback and provides the means to notify managers that customers demand immediate resolution of a product or organizational related issue.

4.4.2.3 Analysing Experiences

Once customer feedback is collected, data utilization generates reports and performs analyses that will support decision-making within each area of a company (Kiska, 2002).
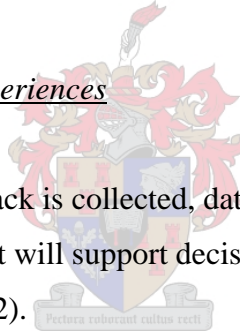
4.4.2.4 Improve Business Processes

Ganzevoort (2004) state that a customer-centric view is required, together with a strategy that aligns the organizational culture throughout the company, to enable collaboration in the delivery of the customer experience and effective CEM. Through the combination of CRM and CEM data, involving historical purchasing data, customer expectations and customer satisfaction information, the sales and marketing department can more effectively design market strategies and identify market trends (Ganzevoort, 2004).

4.4.3 Benefit of Tool for Brand Development Knowledge Leveraging

Ganzevoort (2004) suggest that the expectations the customer has help design the customer experience, then consistently deliver the experience across all the channels of the organization and managed throughout the organization by feedback from the customer. By collecting and using customer feedback across all organizational functions, a customer-centric company begins to develop and the following benefits realized (Kiska, 2002):

- *R&D*: Organizations strive to create new and innovative products to meet market demand. By listening to the voice of the customer and integrating it into the R&D life cycle, companies reduce the risk of developing products not required by the marketplace.

- *Marketing & Sales*: By combining CRM and CEM data a 360-degree view of the customer may be obtained and the sales and marketing departments can better identify emerging trends and patterns, and design more effective marketing and sales strategies and campaigns.

- *Production & Sales*: The production and delivery of products and services is at the heart of any customer supplier relationship, therefore it is beneficial to measure and assess customer satisfaction at this point.

- *Service & Support*: It is necessary to resolve any customer complaints before they escalate into larger and possibly relationship-destroying problems, resulting in customer defections.

- *HR*: Integrating customer feedback into a company's compensation plan ensures a customer-centric approach to making decisions in each key functional area. For a company to become truly customer focused, it must reward practices that contribute to positive customer feedback. Implementing a CEM framework throughout an organization is insufficient to achieve this on its own. It is required that a company's

compensation policy be aligned so that not only is customer feedback collected, but managers and staff are also rewarded based on the results of ongoing customer satisfaction measures.

Furthermore, Wheeler (2003) views the increased importance of CEM and argues that it has become a strategic priority. CEM realizes the promise the brand has built in the value delivered to the customer (Ganzevoort, 2004). Ganzevoort (2004) has identified the following advantages of correct management of the customer experience:

- Improvement in customer retention over the short term.
- Growth in customer loyalty over the long term.
- Ability to create a competitive advantage.

CEM provides the means to retain valued and long-term relationships with customers. CEM directly captures the voice of the customer to enable all parts of the organization to work in collaboration towards the common goal of meeting the customers' needs (Kiska, 2002). Through this customer-centric focus, an organization will be better prepared to protect themselves against competitors and customer defections (Kiska, 2002).

4.5 The SECI Model of Knowledge Creation

Leibold et al. (2005) state that the 'raison d'être' of an organization is to continuously create knowledge and convert this knowledge into organizational value. Knowledge and the capability to create and utilize such knowledge are the most valuable resources of a business network's existence and its sustainability (Leibold et al., 2005). In the current knowledge economy, importance should not only be given to explicit knowledge residing in documents and processes, but also to tacit knowledge which resides in the minds of people (Ganzevoort, 2004). The creation of value occurs through converting tacit knowledge into explicit knowledge, and leveraging this knowledge through interpretation and analysis (Ganzevoort, 2004).

Chun Wei Choo, a professor in the Faculty of Information Studies at the University of Toronto, defines a knowing organization as one that links the three strategic information processes of sense making, knowledge creation and decision making into a continuous cycle of learning and adaptation. Based on experience, a knowing organization strives to make sense of information and apply it in order to create new knowledge and capabilities that are then used to make informed decisions that will direct behaviour, thus leading to achieving business goals (Saint Onge et al., 2003).

Choo (1998) bases his definition of knowledge management on an approach that views knowledge management as a framework for designing an organization's goals, structures, and processes so that the organization can use what it knows to learn and to create value for its customers and community (see figure 12).
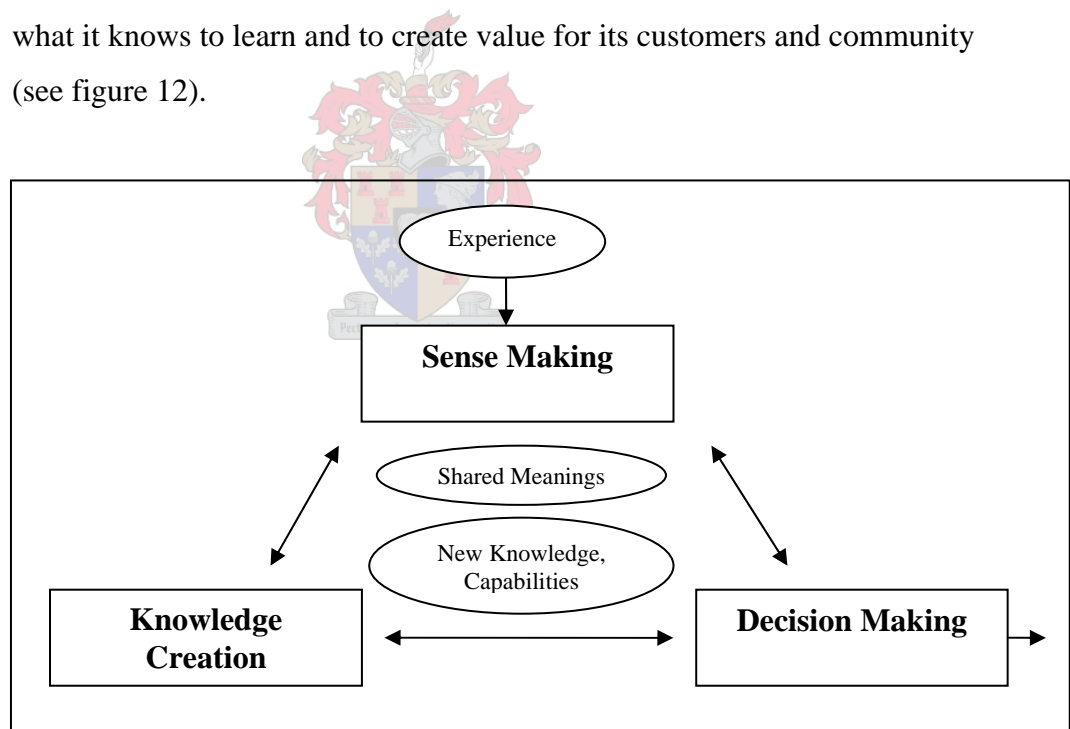

Figure 12: Choo's Knowing Organization

Adapted from Choo (1998).

Baumard (1999) states that people are not just data processors but creators of knowledge and Lemon and Sahota (2004) argue that knowledge is not simply data or information, but is rooted in human experience. Therefore, Dierkes et

al. (2001) examine Choo's (1998) framework and state that it is visible that Choo relied on the information processing paradigm view of the organization. Thereby treating knowledge creation as a part of the process in which an organization processes information from the environment in order to solve a problem and reach rational decisions based on a given goal to adapt to the environment (Dierkes et al., 2001).

Dierkes et al. (2001) argue that if one views an organization in the following way, then knowledge creation will be viewed as static and passive, and an organization is a mere information-processing machine. These are characteristics that preclude an adequate explanation of the dynamic process of innovation, because when organizations innovate, they do not merely process information (Dierkes et al., 2001). Rather they create new information and reshape the environment through interactions with their environment (Dierkes et al., 2001). Alternatively, Dierkes et al. (2001) propose a multi-layered model of knowledge creation based on the work of Nonaka, Konno and Toyama (1998a) to demonstrate how organizations can create knowledge dynamically in the new knowledge economy (see figure 14).

Nonaka et al. (1995) express the interaction of tacit and explicit knowledge by means of the SECI model, which consists of four modes of knowledge conversion: socialization, externalisation, combination and internalisation. The two forms of interactions, tacit and explicit, interact between the individual and the organization to bring together the four major processes which constitute knowledge creation (Bahra, 2001). A spiral process delineates the creation of knowledge in which different modes of knowledge conversion follow on each other (Hussi, 2004). Figure 13 illustrates the four modes of the knowledge conversion process.

Tacit Knowledge	Tacit Knowledge
Socialization	Externalisation
Internalisation	Combination

Tacit Knowledge — Tacit Knowledge — Explicit Knowledge

Tacit Knowledge — Explicit Knowledge

Explicit Knowledge — Explicit Knowledge
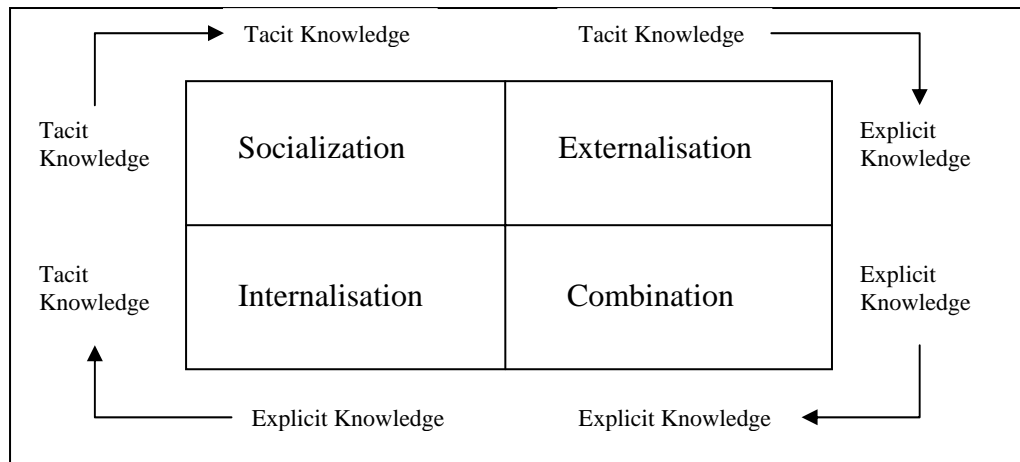
Figure 13: Four Modes of Knowledge Conversion

Adapted from Nonaka et al. (1995).

Li et al. (2003) assert that the concept of SECI derives from accounting for product innovation activities in Japanese manufacturing industries. Nonaka et al. (1995) classifies the majority of their provided cases into the development of products produced in assembly lines. The productive companies combined; motivated and applied the tacitness of personal knowledge embedded in employees and systematically generated new knowledge underlying competitive advantage for the organization (Li et al., 2003).

4.5.2 Approach and Tool

Dierkes et al. (2001) divides their proposed model into three layers of knowledge creation. In the model the three layers of knowledge creation must interact with each other in order to form the knowledge spiral that creates knowledge, as illustrated in figure 14.

Figure 14: The Knowledge Creation Process

Adapted from Dierkes, M., Antal, AB., Child, J. & Nonaka, I. (2001).

The three layers are:

- *SECI*: The process of knowledge creation through socialization, externalisation, combination, and internalisation and the knowledge-conversion process between tacit and explicit knowledge. Through the four modes of knowledge conversion, the quality and quantity of both tacit and explicit knowledge expand.
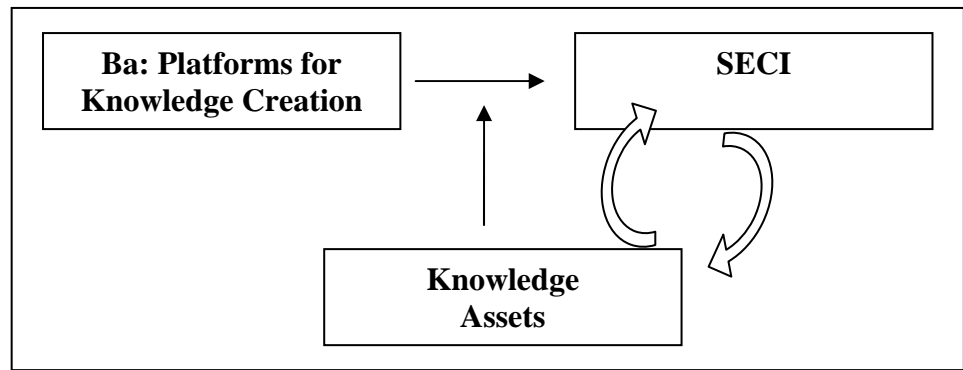
- *Ba*: The platforms for knowledge creation and context within which knowledge sharing, creation and utilization takes place. Ba is a Japanese word used to describe a place, space or facility where individuals interact to exchange ideas, share knowledge, conceptualise and create fresh knowledge in tacit as well as explicit forms (Hasan et al., 2003). It can be a physical, virtual or mental space as ba denotes a generic existentialist concept, i.e. any shared space for emerging relationships, physical, virtual or mental (Hasan et al., 2003). The concept of ba integrates physical, virtual and mental spaces into the individual's conception of his position as part of the surrounding environment (Hussi, 2004). Ba can be conceived as the framework in which knowledge is activated as a resource.

- *Knowledge Assets*: The inputs, outputs and moderators of the knowledge creation process. Knowledge assets are defined as firm-specific resources that are crucial to the creation of values for the firm. Knowledge assets are

categorized into four types in order to understand how knowledge assets are created, acquired and exploited: experiential, conceptual, systemic and routine knowledge assets.

Dierkes et al. (2001) conclude that an organization, building on its existing knowledge assets, creates new knowledge through the SECI process that takes place in ba. The knowledge assets of an organization are mobilized and shared in ba and the knowledge spiral converts and amplifies the tacit knowledge held by individuals through the socialization, externalisation, combination and internalisation of knowledge (Dierkes et al., 2001). The knowledge created then becomes part of the knowledge assets of the organization and the basis for a new cycle of knowledge creation. Hibbard (1997) articulated this process as innovation.

The SECI model of knowledge creation, as proposed by Nonaka et al. (1995), which when applied, continuously creates new knowledge by converting between personal, tacit knowledge of individuals who produce creative insight, and the shared, explicit knowledge that the organization requires to develop new products and innovations. Furthermore, the spiral of the SECI process becomes larger in scale as it expands both horizontally and vertically across organizational boundaries (Hussi, 2004).

According to Leibold et al. (2005), in the afore-mentioned knowledge creating system, knowledge created through the SECI spiral proceeds through four modes of conversion between tacit and explicit knowledge:

- Socialization: From tacit knowledge to tacit knowledge.
- Externalisation: From tacit knowledge to explicit knowledge.
- Combination: From explicit knowledge to explicit knowledge.
- Internalisation: From explicit knowledge to tacit knowledge.

4.5.2.1 Socialization

In socialization, tacit knowledge converts into tacit knowledge by sharing experiences. It is the nature of tacit knowledge that it cannot be expressed by spoken language, consequently the conversion has to take place through observation, imitation and practice, or becoming 'socialized' into a specific way of doing things (Smith, 2001).

To foster socialization, an organization is required to build a place or field of interaction, where individuals may share experiences and facilitate the sharing of experiences and mental models, e.g. ba (Hussi, 2004). Sawhney and Prandelli (2000) argue that the sharing of knowledge adds value to this knowledge, which supposes that social interaction leads to greater knowledge sharing and culminates in value creation. Direct interaction with suppliers and customers strongly supports socialisation (Hussi, 2004).

4.5.2.2 Externalisation

Externalisation is a process of articulating tacit knowledge into explicit concepts. Tacit knowledge converts into explicit knowledge using metaphors, analogies, concepts, hypotheses or models (Smith, 2001). During the externalisation process, knowledge takes a conceptual form and characteristically perceived as a group activity (Hussi, 2004). Furthermore, tacit knowledge converts into explicit knowledge through articulating shared perceptions into concepts in an ongoing dialogue (Hussi, 2004).

Externalisation is a critical phase in the creation of knowledge because if the knowledge shared has no explicit form, it is difficult to distribute across the organization (Nonaka et al., 1995). One of the important features of the SECI process is externalisation of highly professional or highly personal tacit knowledge that is attained in the socialization phase from external relationships and converting it into an easily understandable form (Nonaka and Konno, 1998).

4.5.2.3 Combination

Combination is concerned with the conversion of explicit knowledge into explicit knowledge. In the combination mode, both the new concepts generated through the externalisation process and existing explicit knowledge, are assembled into larger knowledge structures, i.e. systemic knowledge, such as a set of specifications for a prototype of a new product (Nonaka et al., 1995). The process combines separate pieces of explicit knowledge into a new whole (Smith, 2001).

The required explicit knowledge may be gathered either from inside or outside the company (Nonaka et al., 2000). Various computerized networks and databases may facilitate the dissemination of explicit knowledge, resulting in combination throughout the organization (Nonaka et al., 2000).

4.5.2.4 Internalisation

Internalisation is the mode in which explicit knowledge converts into tacit, operational knowledge (Nonaka et al., 1995). Smith (2001) argues that tacit knowledge does not become part of a person's knowledge base until it is articulated and internalised. Internalised knowledge becomes part of the individual's cognitive resources by reframing or interpreting explicit knowledge using a person's frame of reference, in order for knowledge to be comprehended and internalised or accepted by others (Smith, 2001).

Verbalized or visualized documents, manuals or spoken stories that result from combination facilitate the internalisation process (Hussi, 2004). Shared mental modes or technical knowledge assimilated into an organization's members tacit knowledge bases, form a valuable asset for the company (Nonaka et al., 2000). The process of internalisation is the link that makes explicit knowledge, as expressed in strategies, innovations and improvements, a part of the organization's daily functioning (Nonaka et al., 1998b).

<u>4.5.3 Benefit of Tool for Brand Development Knowledge Leveraging</u>

Knowledge management embraces both implicit (or tacit) knowledge and explicit knowledge. Tacit knowledge is embedded in the organization and includes know how and other knowledge that is held in the minds of individuals, or otherwise in the collective memory (Rowley, 2004). Explicit knowledge is knowledge represented in a form so that it can be communicated, shared and possibly stored (Rowley, 2004). The spiral-type conversion between explicit knowledge and tacit knowledge, i.e. the SECI model of knowledge creation is a convenient analytical framework on knowledge activities in business organizations (Li et al., 2003).

Burton-Jones (1999) states that tacit knowledge, whether alone or in conjunction with explicit knowledge, provides a firm with a sustainable competitive advantage. The conversion of tacit to explicit knowledge and explicit to tacit knowledge in the organization, releases creativity and innovation and the potential for the creation of intellectual capital arises, viz. strong brand equity (Nonaka et al., 1995). Smith (2001), state that tacit knowledge be utilized to foster creativity and innovation, and explicit knowledge utilized to create a predictable work environment to guide the organization of tasks.

Knowledge creation and the four phases of knowledge conversion between tacit knowledge and explicit knowledge, as well as their dynamic spirals within or across organizations, became a classical commentary for the unique competence of Japanese manufacturers' triumphs in the 1970s and 1980s (Li et al., 2003). Furthermore, Chen et al. (2005) perceives knowledge creation as an adaptation defence to competitor offerings.

4.6 Communities of Practice

In essence, CoPs is a vessel for conversations to take place among groups of people united together because of a common purpose. These groups of individuals come together to share their existing knowledge, create new

knowledge and apply their collective knowledge to either increase their own capabilities as practitioners or improve the organizations' practices (Saint Onge et al., 2003). CoPs exist in a variety of different forms and their activity levels fluctuate according to their need to learn new things or solve a particular organizational-related problem.

4.6.1 Origin, Rationale and Purpose

Historically, CoPs consist of groups informally bound together by shared expertise and a commitment for a joint enterprise (Wenger and Snyder, 2000). Early analysis of knowledge-based organizations identified groups of employees gathered together to solve work-related problems without management directive or involvement (Saint Onge et al., 2003). Management began to pay closer attention to these loosely formed structures as they recognized the level of learning that took place within the group and the ability to innovate and problem solve (Saint Onge et al., 2003).
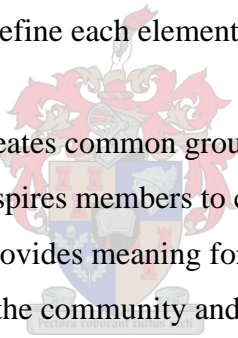
Lave and Wenger (1991) coined the term CoPs to describe an activity system that includes individuals united in action and in the meaning that action has for them and for the larger collective. Wenger, McDermott and Snyder (2002) regard CoPs as an informal organizational structure, which addresses issues related to knowledge, competence and innovation. Ardichvili et al. (2003) defines CoPs as an informal entity, which exists in the minds of their members and united together by the connections the members have with each other, and by their specific shared problems or areas of interest. In addition, Austen (2005) defines CoPs as the process of social learning that occurs when people who have a common interest in some subject or problem collaborate over an extended period to share ideas, find solutions and build innovations.

According to Zárraga-Oberty et al. (2006), a work team is a group of interdependent individuals who solve problems or complete tasks within an organizational context, share responsibility for the results, and seen by themselves and by others as an intact social entity belonging to a larger social system, and which manages its relationships within the confines of the

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organization. Work teams may become CoPs when they begin to develop informal relationships and change the sources of legitimisation (Zárraga-Oberty et al., 2006). In a team, legitimacy occurs principally through the assignment of formal roles and relationships, while members of CoPs establish their legitimacy through interaction about their practice (Zárraga-Oberty et al., 2006). Consequently, a formally built group or team may become CoPs when its members develop their social relationships and get to know one another outside formal relationships (Hildrech, Kimble and Wright, 2000).

Wenger et al. (2002) suggest that although CoPs exist in a variety of different forms, they all share a basic structure. CoPs are a unique combination of three fundamental elements: a *domain* of knowledge, which defines a set of issues; a *community* of people who care about this domain; and the shared *practice* that they are developing to be effective in their domain (Wenger et al., 2002). Wenger et al. (2002) define each element in the following means:

- The *domain* creates common ground and a sense of common identity. The domain inspires members to contribute and participate, guides learning and provides meaning for their actions. The domain defines the identity of the community and the value of its achievements.

- The *community* creates the social fabric of learning. A strong community fosters interactions and relationships based on mutual respect and trust.

- The *practice* is a set of frameworks, ideas, tools, information, styles, language, stories and documents that community members' share. The practice is the specific explicit and tacit knowledge the community develops, shares and maintains.

Saint Onge et al. (2003) defines CoPs as a vehicle for learning; a place where people generate new knowledge that increases the organization's knowledge stocks and facilitates the flow of knowledge capital within an organization. Ardichvili et al. (2003) asserts that the generation of knowledge in CoPs occurs when people participate in problem solving and share the knowledge necessary to solve the problems. Saint Onge et al. (2003) base CoPs on the following three components:

- *Access to Existing Knowledge*: Knowledge is primarily codified or explicit. The community may have a variety of knowledge bases that it may access within the community's collaborative space or externally through other sources, e.g. intranet or Internet.

- *Knowledge Exchange*: Gained through sharing experience that is primarily tacit but may also be explicit. The method used to exchange knowledge depends on the nature of the productive inquiry that begins the conversation. Methods of exchange may include the form of discussion dialogues or on-line chat rooms.

- *Creation of New Knowledge*: A productive inquiry might be satisfied by material in the knowledge repository or by a brief conversation with another member. However, the real value of the community realizes through its ability to collaborate and create new knowledge, and innovate.

Furthermore, Wenger et al. (2000) propose the following three actions for organizations willing to create and maintain CoPs:

- Identify potential CoPs that will enhance the company's strategic capabilities.

- Provide the infrastructure that will support such communities and enable them to apply their expertise effectively.

- Assess the value of the organization's CoPs.

4.6.2.1 Identify Potential Communities of Practice

Lizzie Jackson, a community editor at BBC New Media, observes that in order to identify potential CoPs, an organization firstly is required to assess the need and the requirements of the organization and CoPs (Austen, 2005). An organization needs to observe and monitor organizational informal conversations in order to analyse the demands and functioning of the group (Austen, 2005). It is critical to acknowledge the goals, the desired outcomes and the lifespan of the CoPs (Austen, 2005).

Membership of CoPs is self-selected. According to Nonaka (1994), self-management is the first characteristic that the team should posses to become a social context in itself, within which personal knowledge may potentially expand. Self-managed teams are groups of employees with all the technical skills, as well as the authority, needed to direct and manage team members (Zárraga-Oberty et al., 2006). Recently, self-managed teams have become the management practice chosen by organizations wishing to be more flexible, to place decision making in the forefront, and to use the total intellect and creativity of their employees (Wageman, 1997).

Wenger et al. (2002) state that the key issue at the beginning of a community is to find enough common ground among members for them to feel connected and see the value of sharing insights, stories and techniques. Informal groups of people from all levels and functions in the organization meet regularly, either in person or through e-mail networks (Wenger et al., 2000). Groups work externally to the traditional organizational structure and are virtually immune to management (Smith, 2001). The participants in these CoPs learn together by focusing on problems that directly relate to their work (Wenger et

al., 2000). In the short term, this makes their work easier or more effective and in the long term, it helps build both their communities and their shared practices, thereby developing capabilities critical to the continuing success of the organization (Wenger et al., 2000).

Evidently, the complexity of markets in the knowledge economy has sparked a trend towards communities that do not confine to the boundaries of a single organization (Wenger et al., 2002). This extended knowledge system includes suppliers, distributors, customers and a variety of communities external to the company. Most importantly, an organization may create a community with consumers to gain knowledge from these consumers in order to understand their needs and the means by which these needs are efficiently satisfied.

A customer community may act as conduits to an organization to create loyalty to a brand by involving the community in a process of product development that becomes integral to the development of the practice (Wenger et al., 2002). Such a community provides the opportunity to share useful knowledge and to develop a valued identity, however, a successful customer community requires an organization to possess the internal capabilities necessary to create and grow such communities (Saint Onge et al., 2003).

4.6.2.2 Provide Supportive Infrastructure

CoPs do not normally need complex organizational structures to operate effectively but their members do need time and space to collaborate (Zárraga-Oberty et al., 2006). Furthermore, Zárraga-Oberty et al. (2006) state that even if CoPs do not need much management, they do need leadership. The main task of the leader is to co-ordinate and focalise the different viewpoints found within the work team (Zárraga-Oberty et al., 2006). In addition, team leaders require the provision of not only real and virtual spaces for communication, but also guidelines for the team (Zárraga-Oberty et al., 2006). The ultimate goal of CoPs is to build the organization's overall capacity to learn and innovate, not to launch a community for the members' own purpose (Wenger et al., 2002).

Successful CoPs display characteristics of a good atmosphere, internal collaboration among group members and interpersonal co-operation, essential for the generation of true organizational knowledge (Zárraga and Bonache, 2003). Ardichvili et al. (2003) postulate that an organization striving to create a network of vibrant communities of knowledge sharing would need to create a supportive environment, consisting of the following elements:

- A set of institutional norms promoting institution-based trust, including those clearly communicating that knowledge sharing is a norm of the organization, the organization trusts its employees and that sharing is a moral obligation of all employees.

- Multiple face-to-face CoPs, which provide a foundation for knowledge based trust. Certain of these communities could later evolve into virtual communities or never be replaced by the virtual forms, but may use, as needed, some of the tools of the virtual communities to enhance their face-to-face interactions and learning.

- A set of clearly communicated norms and standards for sharing knowledge, which would reduce the anxiety associated with the uncertainty about what constitutes acceptable postings, what violates corporate security rules, and so forth.

In conclusion, a self-managed team whose members have individual autonomy, heterogeneous and complementary skills, a common understanding, a leader that encourages work teams and a climate of trust, can favour knowledge management and thus become CoPs (Zárraga-Oberty et al., 2006). In a research study conducted by Zárraga-Oberty et al. (2006), empirical confirmation was obtained that knowledge management is favoured in work teams which possess certain characteristics including self-management, leadership, individual autonomy, climate of trust, common understanding and the members' heterogeneous and complementary skills.

4.6.2.3 Assess the Value of Communities of Practice

The strength of CoPs is self-perpetuating (Wenger et al., 2000). As they generate knowledge, they reinforce and renew themselves (Wenger et al., 2000). However, posting of knowledge entries and other active contributions by some members of a community represent only one side of the equation, i.e. the supply of new knowledge (Ardichvili et al., 2003).

Ardichvili et al. (2003) suggest that for the creation of successful CoPs, there should also be an active participation on the demand side, i.e. numerous members should be visiting the CoPs Web site, using online search tools or posting questions when they search for advice or information. Therefore, for CoPs to be successful requires its members' willingness to use the CoPs as a source of new knowledge (Ardichvili et al., 2005). Participants will be more willing to use CoPs as a source of new knowledge if they trust it to be a source of reliable and objective information (Ardichvili et al., 2003).

Saint Onge et al. (2003) identify the importance of community members and the people responsible for supporting the community to be aware of the value that the community generates. The value of investing in knowledge management practices such as CoPs may be discussed in terms of increasing organizational capabilities that in turn contribute to achieving organizational goals (Saint Onge et al., 2003). Saint Onge et al. (2003) propose that these organizational goals be measured by:

- A positive number on a profit and loss statement.
- A high level of customer satisfaction.
- Increased share price.
- Growing percentage of market penetration.

4.6.3 Benefit of Tool for Brand Development Knowledge Leveraging

Organizations that have taken steps to cultivate CoPs have found that these communities are unique among organizational structures in their ability to deal with a broad variety of knowledge-related issues (Wenger et al., 2002). Through a meeting of the minds, community members are able to pool their expertise, share their experience, test new ides, improve on past processes and procedures, and find solutions that result in increased capability and improved performance (Saint Onge et al., 2003).

A review of the literature concerning CoPs has highlighted the following benefits of such communities:

- CoPs capture and share knowledge and complement existing organizational structures by stimulating knowledge sharing, learning and change (Smith, 2001).

- CoPs reconstitute expertise that gets lost when organizations transfer to decentralized, cross-functional units, thus aiding a company to obtain the best of both approaches, namely, accountability and market presence, as well as organizational-wide access to knowledge resources (Saint Onge et al., 2003).

- CoPs are a strong alternative to building teams, especially in the context of new product development (Ardichvili et al., 2003). Dixon (2000) argues that the CoPs model allows organizations to overcome barriers to sharing information that conventional, technology-based knowledge management systems often encounter.

- CoPs are the 'hub' for the exchange and interpretation of information (Wenger, 1998). As a result, CoPs provide the ideal channel for moving information within the confines of the organization (Zárraga-Oberty et al., 2006).

- CoPs are in the best position to codify knowledge as they can combine its tacit and explicit aspects (Wenger et al., 2002). In turn, CoPs preserve the tacit aspects of knowledge that the formal systems cannot capture, thus helping to retain the knowledge (Zárraga-Oberty et al., 2006).

- CoPs connect people internally and externally to the organization as well as across different organizations. In the process, they connect the whole system together around core knowledge requirements, i.e. identify the strategic knowledge gap (Wenger et al., 2002).

- CoPs increase individual and organizational capabilities through the creation of knowledge as well as expanding the extent and accelerating the speed at which knowledge exchange occurs across the organization (Saint Onge et al., 2003).

- CoPs allow individuals to readily contribute to the early detection of internal and external trends and to respond to emerging market and business needs with speed (Saint Onge et al., 2003). As issues emerge, individuals collaborate knowledge and find immediate solutions to problems through knowledge access and knowledge exchange facilitated by CoPs.

- CoPs aid employees to create value for the customer by building on one another's ideas and capabilities to offer better solutions (Saint Onge et al., 2003). Members can contribute competencies that keep the organization in the forefront since the members of the communities analyse new ideas, work together to overcome problems and are always collaborating to make new discoveries (Zárraga-Oberty et al., 2006).

- CoPs create new business opportunities by leveraging internal expertise and relationships with customers and competitors to convert insights into new products and services (Wenger et al., 2002).

- CoPs develop group knowledge and generate assets by transferring knowledge and stimulating innovation (Smith, 2001). The knowledge forums, provided with tools, processes and communities, engender a high level of collaboration, drawing together different perspectives, providing an ideal environment for innovation.

4.7 A Synopsis of Knowledge Management Approaches and Tools

In order to facilitate comparisons and cross-references between the individual approaches and tools discussed in the above sections of the chapter, table 2 summarizes the approaches or tools. Table 2 draws together the important aspects and insights made throughout the analyses of each approach and tool to contribute to an improved understanding of the method available to innovatively develop brands.

	CKM	CEM	SECI	CoPs
Origin	CKM has its roots in CRM practices Shift in organizational mindset towards looking at customer as a knowledge entity Need for knowledge from customer to leverage information into organizational value	CEM has its roots in CRM practices Need to design and manage customer experience as brand is built through interactions customer has with organization and not through mass media means	SECI process has its roots in Choo's knowing organization theory, i.e. the information processing paradigm Derived from accounting for product innovation activities in Japanese manufacturing industry	CoPs has its roots in work teams Employees bound informally together to share expertise and solve work related problems without management involvement
Rationale	Transform customer from passive recipients to knowledge partners Partner with customer as equal co-creator of organizational value	Provide 360-degree view of customer and help build and sustain customer relationships	Create new knowledge for innovative activities	Individuals come together to share existing knowledge, create new knowledge and apply their collective knowledge to increase their capabilities or improve organizational practices
Purpose	Management of knowledge from customer, i.e. tacit and explicit knowledge residing in consumer's mind	Gain understanding of customer 'journey' from expectations before purchase to judgements after and identify preference for particular experience, i.e. brand	Create knowledge through the interaction of tacit and explicit knowledge	Informal entities united together by common interests to collaborate and share ideas, find solutions and build innovations
Approach and Tool	Five styles of CKM : Prosumerism : Team based co-learning : Mutual innovation : Communities of creation : Joint intellectual property ownership	Four steps of CEM : Capture customer experience : Evaluate interactions : Analyse experiences : Improve business process by responding to results of analysis	Four modes of conversion in SECI : Socialization : Externalisation : Combination : Internalisation	Three components of CoPs : Access to existing knowledge : Exchange of knowledge : Creation of new knowledge
Benefit of Tool for Brand Development Knowledge Leveraging	Consolidates organizational and customer knowledge Use of customer knowledge to explore strategic options Use of solutions learned from customer for innovative activities Utilization of business intelligence from Internet	Integrates customers' voice into R&D Identify emerging market trends Assess customer satisfaction Resolve customer complaints quicker Collect customer feedback Improve customer retention Increase customer loyalty Create competitive advantage	Through SECI process creativity and innovations is released Increases intellectual capital Provides competitive advantage	Capture and share valuable knowledge Overcome knowledge sharing barriers Channel for moving knowledge in organization Connects people internally and externally to organization Early detection and quick response to market trends Stimulates innovation

Table 2: A Synopsis of Knowledge Management Approaches and Tools

4.8 Summary

A fundamental task for the purpose of this chapter was to establish clarity concerning two aspects. Firstly, the necessity of knowledge management approaches and tools for innovative brand development was discussed. Two models were proposed, highlighting the fact that knowledge management approaches and tools are necessary to identify the strategic knowledge gap in order for the organization to acquire relevant knowledge and adapt their dynamic capabilities to create new organizational value for future strategic resilience, viz. building strong brand equity.

Secondly, the knowledge management approaches and tools to leverage knowledge for innovative brand development were reviewed. The study critically examined four approaches and tools including CKM, CEM, the SECI model of knowledge creation and CoPs. In order to facilitate comparisons and cross-references between the individual approaches and tools, a synopsis was provided in the form of a table. Table 2 draws together the important aspects and insights made throughout the analyses of each approach and tool to contribute to an improved understanding of each method for innovative brand development.

Chapter 5: A Synthesis of the Importance, Relevance and Impact of Knowledge Leveraging for Innovative Brand Development

5.1 Introduction

Many organizations perceive the increasing complexity of the knowledge-driven, innovation economy as a threat to organizational survival, yet there are significant ranges of approaches in which dynamic developments in knowledge provide particular brand-related opportunities with which to compete. Innovative companies are finding that they may increase the value of products by making them more knowledge-intensive (Probst et al., 2000). Knowledge is a key factor of value creation processes, substituting in large part for classical elements like labour, capital and raw materials (Schüppel, Müller-Stewens and Gomez, 1998).

This chapter presents two sections and will provide a synthesis on the importance, relevance and impact of the rising value of knowledge and knowledge leveraging for brand development and brand innovation in the knowledge-driven, innovation economy. The study presents a tentative model in order to demonstrate the relationship between the brand and important knowledge, as well as the relevant knowledge management practices and approaches required for the facilitation of leveraging knowledge for innovative brand development.

5.2 Importance, Relevance and Impact of Knowledge Leveraging for Innovative Brand Development

In contrast to an emphasis on traditional tangible assets explaining organizational success, recent strategic management literature has focused on more intangible resources, viz. knowledge. Knowledge is regarded as the most important strategic resource and the ability to acquire and develop it, share it and leverage it can lead to a sustainable competitive advantage, as organizations with superior knowledge can combine traditional resources and assets in new and distinctive ways and thereby provide superior value to

customers (Sharkie, 2003). Superior knowledge enables organizations to exploit and develop resources, enhance their fundamental ability to compete and allow an organization to develop a sustainable competitive advantage to outperform rivals (Sharkie, 2003).

Probst, Büchel and Raub (1998) propose that through the exchange of knowledge at different levels in an organization, individual knowledge synthesizes to arrive at group knowledge and further 'routinized' at the organizational level. By combining different levels of knowledge and different types of knowledge at each level, the organization can develop rare and imperfectly imitable knowledge, creating a competitive advantage (Probst et al., 1998). For example, if a firm needed a deep understanding of its markets in order to make sensible large-scale investment decisions, while it needed an intimate understanding of its customers in order to know how to provide total solutions, by identifying what market and customer knowledge was most important, the organization could take action to ensure it had sufficient knowledge resources necessary to achieve its strategy (Massingham, 2004).

Through increased information gathered from the environment, the organization is able to gain greater awareness of the threats and opportunities in the environment and thereby increase its 'absorptive capacity' (Cohen and Levinthal, 1990). Probst et al. (1998) define absorptive capacity as the company's ability to recognize the value of new external information, assimilate it and apply it to commercial ends, and is a function of a firm's existing knowledge.

Kanevsky and Housel (1998) suggest that an organization is required to understand that learning from the market must be translated into knowledge that can be applied to the company production processes, resulting in changes in the organization's product offerings, i.e. innovative brand development. It is increasingly incumbent to incorporate and integrate knowledge residing outside the borders of an organization in order to develop organizational knowledge leading to a competitive advantage (Probst et al., 1998).

Keller (1993) defines brand equity as a multidimensional concept dependent on the knowledge structures present in the minds' of consumers and the actions an organization takes to capitalize on the potential offered by these knowledge structures. The knowledge created about the brand in consumers' minds from previous organizational and individual activities comprises an organization's most valuable asset for improving business productivity (Keller, 1993). The reality that strong brands out-perform their weaker counterparts drives the emphasis on building brand equity (Cravens, Piercy and Prentice, 2000).

Aufreiter et al. (2003) states that to build strong brand equity, an organization requires the recognition that a brand consists of more than a bundle of tangible and functional attributes. Preferably, its intangible and emotional benefits, along with its identity, frequently serve as the basis for long-term competitive differentiation and sustained loyalty (Aufreiter et al., 2003).

Furthermore, Aaker (1991) asserts that an organization requires the collection of consumer knowledge concerning brand associations to know how to develop a brand and position it against competitors. Although certain brand associations are visible, such as promotion and publicity, other associations are subtler and complex which require an understanding of what signals are used by customers to form perceptions (Aaker, 1991).

Today, cost-effective brand building depends on knowing precisely what consumers care about and tailoring the brand accordingly (Aufreiter et al., 2003). Urde (1999) mentions that the brand building process is two-part: internal and external. The internal process defines the relationship between the organization and the brand, with the internal objective being for the organization to live its brands (Urde, 1999). Conversely, the external process is that concerned with relations between the brand and the customer, with the external objective of creating value and forming relationships with the customer (Urde, 1999).

5.3 A Tentative Model of Knowledge Leveraging for Innovative Brand Development

Following a business domain perspective, one of the major challenges for management is to understand the role of knowledge and learning for organizational change and business success (Chen et al., 2005). According to Cravens et al. (2000), the following three issues guide an organization's process in building strong brands:

- Identification and evaluation of the drivers of brand equity.
- Strategy for building and protecting brand equity.
- Processes for strategic brand portfolio management.

Analogously, in the context of the present study, the above three issues provide the framework on which the tentative model of knowledge leveraging for innovative brand development will be presented:

- *Identification and Evaluation of the Drivers of Brand Equity* (Brand Dimensions): An organization is required to identify the brand associations, i.e. knowledge residing in the consumers' mind with regard to the brand, to enable the development of innovative brands.

- *Strategy for Building and Protecting Brand Equity* (Industry Dimensions): An organization needs to be cognizant of the transformation from the traditional industrial era to a knowledge-driven, innovation economy and the relevant, accompanying shift in an organization's strategic management mindset.

- *Processes for Strategic Brand Portfolio Management* (Organizational Knowledge Tools): Various knowledge management approaches and tools are available to leverage organizational and consumer knowledge to build and maintain strong brand equity.

<u>5.3.1 Brand Dimensions</u>

The proposition that a brand comprises of various different meanings and associations drawn from different sources can be simplified by classifying them into two categories (Jevons, Gabbott and de Chernatony, 2005). First, the brand identity, as codified and communicated by the brand originator (organization), and second the brand meanings drawn from the users or customer environment (Jevons et al., 2005).

Keller (2003b) proposes a four-step framework that an organization may utilize to build a strong brand. Each step involves accomplishing certain objectives with the customer. The steps are as follows and highlight the importance of acquiring the knowledge needed to achieve the organizational objectives and leverage the knowledge for innovative brand development:

- *Brand Identity*: The consumer questions the identity of the brand by asking the organization 'who are you?' Consequently, the organization is required to ensure identification of the brand with customers and an association of the brand in customers' minds with a specific product class or customer need.

- *Brand Meaning*: The consumer questions the meaning of the brand by asking the organization 'what are you?' The firm is required to establish the totality of the brand meaning or image in the minds of the consumers by strategically linking a host of tangible and intangible brand associations with certain attributes.

- *Brand Responses*: The consumer questions the ability of the brand to elicit a desired response by asking the organization 'what about you?' and 'what do I think or feel about you?' The organization is required to ensure that they elicit the proper customer responses to the brand identification and meaning.

- *Brand Relationships*: The consumer questions the bond they have with the brand by asking the organization, 'what about you and me?' and 'what kind of association and how much of a connection would I like to have with you?' The organization is required to convert brand responses to create an active and loyal relationship between the customer and the brand.

According to Keller (2003b), the performance of the above four steps to create the right brand identity, brand meaning, brand response and brand relationship, is a complicated and difficult process. To provide structure to the performance process, Keller (2003b) proposes six customer 'brand building blocks' to create significant brand equity, as illustrated in figure 15. The six brand building blocks defined as follows, are:

- *Brand Salience*: Achieving the right brand identity involves creating brand salience and brand awareness with the customer. Brand salience relates to aspects of brand awareness of the brand, i.e. the ease with which a brand evokes awareness under various situations or circumstances. Brand awareness involves the consumer linking the brand to certain associations in memory and more importantly, to the needs the brand is designed to satisfy.

- *Brand Performance*: Brand performance relates to the means by which the brand meets and exceeds customers' utilitarian, aesthetic, quality and economic needs. To create brand loyalty and resonance, consumer experiences with the brand must meet and surpass their expectations.

- *Brand Imagery*: Brand imagery defines how people think about the brand abstractly, rather than the function of the brand. Thus, imagery refers to more intangible aspects of the brand. Imagery associations may be formed directly from a customer's own experience and contact with the brand or indirectly through the depiction of these same considerations as communicated in brand advertising.

- *Brand Judgments*: Brand judgments focus on the customer's personal opinions and evaluations, concerned with the brand's quality, credibility, consideration and superiority. Brand judgments involve the means by which customers place together the different performance and imagery associations of the brand to form different opinions.

- *Brand Feelings*: Brand feelings are the customers' emotional responses and reactions with respect to the brand. These feelings may be positive or negative and can become associated and accessible to the consumer when they think of the brand. Brand judgments and feelings can only favourably affect consumer behaviour if consumers internalise positive responses in their encounter with the brand.

- *Brand Resonance*: Brand resonance refers to the nature of the relationship a consumer and the level of identification the customer has with the brand. Resonance characterizes the intensity or the depth of the psychological bond that customers have with the brand, as well as the level of activity engendered by this loyalty.
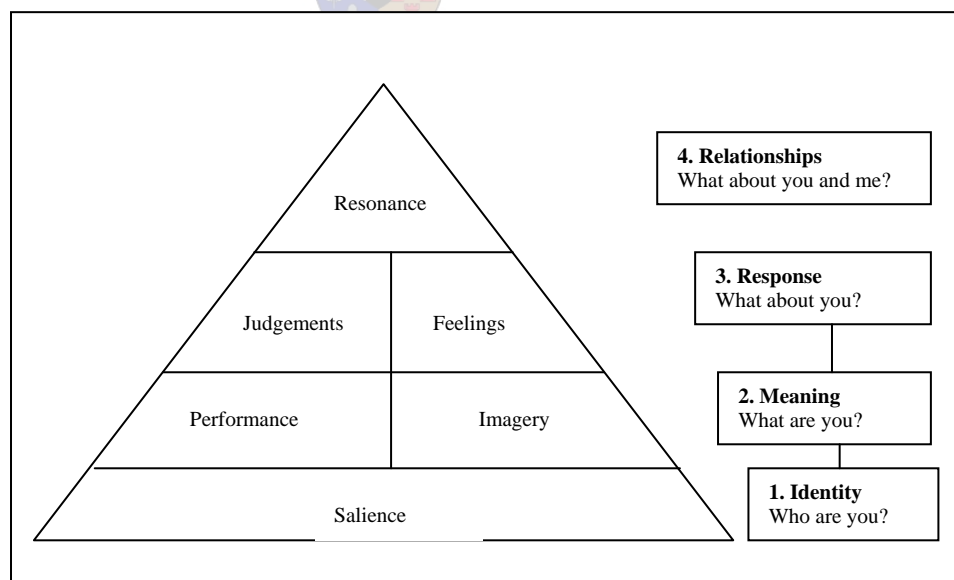

Figure 15: Customer Based Brand Equity

Adapted from Keller (2003b).

In conclusion, the brand is considered as the set of expectations and associations evoked from experience with a company or product, i.e. how customers think and feel about what the organization or product actually delivers to the consumer (Dunn et al., 2003). As such, a brand is built from the customer's entire experience with a company, its products and its services (Dunn et al., 2003).

Chen et al. (2005) assert that a positive relationship exists between innovation and knowledge acquisition within an organizational context. Consequently, it may be concluded that to build strong brand equity, i.e. brand identity, brand meaning, brand response and brand relationship, an organization is required to tap into the knowledge residing within the consumers' mind during the performance process of the brand with respect to the six 'brand building blocks' as proposed by Keller (2003b).

5.3.2 Industry Dimensions

Schüppel et al. (1998) suggest that an organization is created and re-created daily by its members and their interactions. Furthermore, Schüppel et al. (1998) define members' of an organization as not only its permanent employees, but also the temporary members such as suppliers and customers. Accordingly, Saint Onge et al. (2003) sate that an organization creates value when individual employees interact with customers (Saint Onge et al., 2003).

Organizations can no longer produce and manage knowledge autonomously. Customers in the knowledge-driven, innovation economy attains a strategic significance beyond that which traditional microeconomic theory attributes to them (Normann and Ramírez, 1998). Customers have become active and educated partners in the joint value creation processes of an organization. Sawhney et al. (2000) propose that organizations co-operate with their customers to create knowledge and value (Sawhney et al., 2000).

Schüppel et al. (1998) view knowledge, from an economic perspective, as a key factor of value creation processes, substituting in large part for classical

elements such as labour, capital and raw materials. Normann et al. (1998) enumerate that the process of value creation consists of the following three implications:

- Organizations are required to mobilize customers to co-create value.

- Value offerings created through involving customers, suppliers and business partners require the reconfiguration of relationships and business systems.

- To remain competitive, organizations are required to remain in dialogue with customers to enable continuous value creation.

Organizational management of a firm is expanding from being a producer of physical goods and services to a firm becoming a knowledge producer, and its productive efficiency determined by how well it links and integrates disparate sources of knowledge (Burton-Jones, 1999). Consequently, as stated by Dunn et al. (2003), the brand's role and influence is moving beyond the marketing department and becoming an integral part of the company's way of doing business.
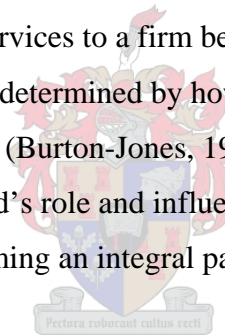
Organizations competing in the new economy are required to rethink how they create value and define players of their value chain, such as customers. Many firms have switched from a product-centric to a customer-centric culture, emphasizing the whole customer experience (Davenport et al., 2001). Prahalad et al. (2003) argue that an innovation mandate is now necessary in which organizations utilize the competence base of the organization and the organizational network to expand and enhance the experience of the individual customer and not only concentrate on the product or solution the customer receives.

Understanding the way in which the competitive environment has affected the company's choice of an organizational structure and the subsequent choice of

a particular brand management system to improve competitive advantage, are of utmost importance (Katsanis, 1999). Aaker et al. (2000) propose that an organization create structures and processes that lead to strong brands, with strong brand leaders, to overcome the organizational challenge. The structural capital of an organization, i.e. the strategies, structures, processes and culture that translate into specific organizational capabilities necessary to meet market requirements, interacts directly with customer capital and relationships (Saint Onge et al., 2003). Therefore, structural capital provides employees with the organizational support needed to offer added value to the customer.

Urde (1999) presents a brand orientation as another brand building model that focuses on brands as strategic resources. Urde (1999) defines brand orientation as an approach in which the processes of the organization revolve around the creation, development, and protection of brand identity in an ongoing interaction with target customers, with the aim of achieving lasting competitive advantages in the form of brands.

5.3.3 Organizational Knowledge Tools

A knowledge management system that allows for sharing and leveraging of organizational and customer knowledge and experiences, along with a brand nurturing culture, are imperative for organizations aspiring to develop innovative brands. An organization capable of focusing their attention on the effective integration of internal productive resources and the value of consumer knowledge, are likely to be more successful than those exclusively focused on internal improvements (Normann et al., 1998).

Ganzevoort (2004) asserts that innovative activity should be concentrated at the front end and back end of the organizational value network. Desouza et al. (2003) regard the supply chain of many organizations to form vast networks that extend on the upstream side into a network of suppliers, and on the downstream side into a network of final consumers. Therefore, for the purpose of the study, the front end of the value network represents a network of

suppliers (the organization) and the back end of the value network represents a network of final consumers.

The tentative model proposed to achieve the objective of the study, suggests that at the back end of the organization's value chain, knowledge may be obtained and leveraged through utilization of CKM and CEM approaches in order to gain the knowledge residing in the consumers' mind, regarding their experiences and associations with respect to the brand. CKM and CEM aid the organization to co-create value with the customer by continuously innovating the customer experience.

Furthermore, the model proposes that at the front end of the organization's value chain, the utilization of knowledge management tools such as the SECI model of knowledge creation and CoPs, enable the organization to share, create and leverage knowledge throughout the company. Analogously, these two knowledge management tools co-create customer value by utilizing knowledge gained from the consumer to continuously innovate the customer experience and develop innovative brands.

According to Beyers (2004), customer capital is the most difficult capital to develop, as it is largely external to the organization itself. The essence of customer capital is knowledge embedded in relationships external to the organization (Beyers, 2004). Therefore, the four above-mentioned knowledge management approaches and tools provide an opportunity for the organization to manage consumer-brand channels, to gain access to sources of knowledge, and leverage such knowledge for the purpose of innovative brand development.

5.3.4 The Knowledge Flow in the Organization's Value Chain

Schüppel et al. (1998) define the elements of the value chain to represent a systematically organized path of a product or service concept to the consumer. According to Normann et al. (1998), each organization occupies a position on a value chain. Upstream, suppliers provide inputs. The company then adds

value to these inputs, before passing them downstream to the next actor in the chain, the customer (Normann et al., 1998).

Ganzevoort (2004) suggests that an organization achieves sustainable competitive advantage and differentiates from the competition by gaining involvement in the current value chain. Ferguson (2005) enunciates that innovative companies differentiate themselves by collaborating up and down the value chain not just with suppliers, but also with customers, competitors and other industry participants. Various leading organizations successfully manage the knowledge from their customers to create value in innovation processes (Ganzevoort, 2004). An organization may differentiate in orchestrating a superior customer experience by leveraging the knowledge of their customers in order to fulfil their expectations (Ganzevoort, 2004).

Katsanis (1999) state that customers help shape the situation the company finds itself in, as well as identify the influence customer demands have on the environment. Customers, for example, decide what their needs are, how quickly they need to receive the product and how innovative products need to be to compete in the marketplace (Katsanis, 1999). Research concerning knowledge flows from customers emphasizes a necessary shift in the locus of innovation, to include the knowledge owned by customers, as a dynamic capability of the organization (Ganzevoort, 2004). Consumer needs shape the environment and company structure, which in turn create the rest of the brand management system (Katsanis, 1999). Consequently, the customer provides the true feedback to the initial process of the brand management model (Katsanis, 1999).

The value chain of the organization is in large part a knowledge-dependent value chain. The consequent multi-directional flow of knowledge across the organization's value chain engenders the links among the chain highly decentralized (Desouza et al., 2003). From this perspective, organizational knowledge is defined as the sum of individual knowledge used in the value creation process and the knowledge embedded in collective action (Schüppel et al., 1998). Furthermore, a reversing of this knowledge process creates a

flow of potential returns out of the application of knowledge in goods and services (Schüppel et al., 1998). These returns reinvested into knowledge generation, cyclically renew the process for product, service and brand innovation (Schüppel et al., 1998). Figure 16 illustrates the knowledge flow in the value chain between the organization and the consumer.
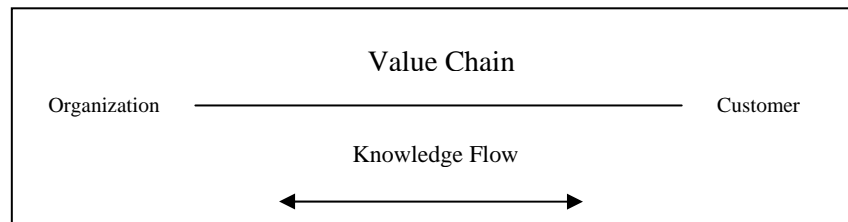

Figure 16: Value Chain Knowledge Flow

In an empirical study conducted by Graßhoff in 1996, eighty percent of respondents said that knowledge today comprises the most significant part of an organizational value chain (Schüppel et al., 1998). Furthermore, looking at the future development of companies' value chains, approximately eighty percent of the respondents expect a strong increase in the amount for knowledge utilized (Schüppel et al., 1998). Consequently, it is clear that knowledge is an important factor in value creation. Physical products no longer dominate the competition. Rather, it is the capability of the organization to adapt quicker than the competition to the environment and enable innovation of new value, e.g. innovative brand development.

According to Graßhoff's empirical study, in a majority of cases, forty percent of the given knowledge potential remained untapped within the organization and its value-creating processes, and in forty six percent of the cases, it was estimated that companies waste sixty percent to eighty percent of their knowledge (Schüppel et al., 1998). Therefore, the demand for efficient management of knowledge is becoming increasingly evident (Schüppel et al., 1998).

Jevons et al. (2005) argue that it is the dynamics of consumer networks that begin to guide an organization's strategy as companies co-create brands with the consumer. As a result, the meaning of the brand sits within the mind of the consumer and incongruity with what the organization thinks the brand's meaning might be, represents a real threat to developing the brand (Jevons et al., 2005).

In conclusion, to provide a synthesis on the importance, relevance and impact of knowledge leveraging for innovative brand development, the study illustrates (figure 17) a tentative model of knowledge leveraging for innovative brand development. The proposed tentative model of leveraging knowledge for innovative brand development proffers the following broad objectives, namely, too:

- Tap into the knowledge flow of an organization's value chain; to
- Leverage organizational and consumer knowledge; to
- Promote innovative brand development; and
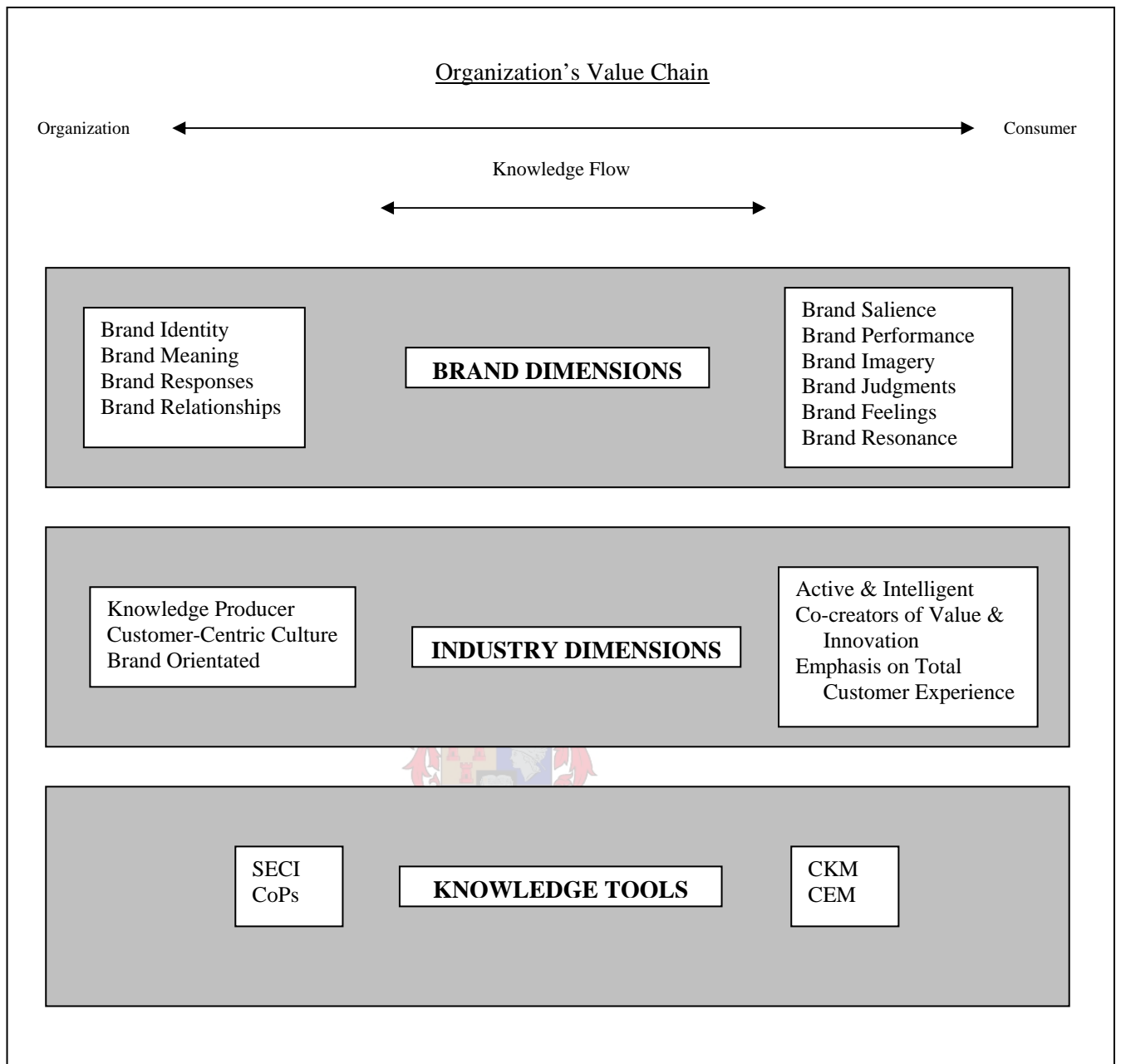- Provide the organization with a competitive advantage.
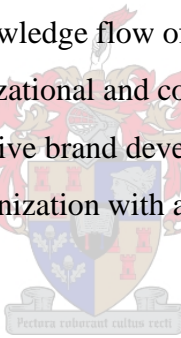
Figure 17: A Tentative Model of Knowledge Leveraging for Innovative Brand Development

5.4 Summary

The objective of this chapter was to provide a synthesis on the importance, relevance and impact of knowledge leveraging for innovative brand development, with the ultimate aim of contributing a tentative model to enhance the understanding of the means to leverage knowledge for innovative brand development.

Firstly, the chapter focused on providing a synthesis on the importance, relevance and impact of knowledge leveraging for innovative brand development, providing clarity on the importance of utilizing consumer knowledge to innovatively develop brands.

In conclusion, the chapter proposed a tentative model of knowledge leveraging for innovative brand development. The identification of the brand dimensions, industry dimensions, organizational knowledge approaches and tools enabling knowledge leveraging and the knowledge flow in the organization's value chain, provided the framework on which the model was constructed. The model defines a fundamental platform from which further investigations concerning knowledge leveraging for innovative brand development may proceed.

Chapter 6: Summary, Conclusions and Recommendations

6.1 Introduction

The objective of the study as outlined in chapter 1, was to investigate the relevance of knowledge management practices and tools to leverage knowledge for innovative brand development. A synthesis of the extant research intended to emphasize the rising importance of knowledge for brand development and brand innovation as the dynamics of successful business enterprises in the innovation economy are orientated towards innovation, speed in value creation and superior delivery to customers, via brands, which are progressively growing in importance within the present economy. In view of this purpose, a comprehensive conceptual study followed and a tentative model presented to illustrate the relevance and means to leverage knowledge for innovative brand development.

The final chapter consists of three main sections to present a summary and conclusions to the study and make recommendations for future avenues of research in the direction of brand innovation.

6.2 Summary of the Study

The study commenced with an introductory chapter, including a discussion of the emergence of the knowledge-driven, innovative economy and brand owning companies. Increasingly, an organization's competitive advantage is inherent in innovation, leveraging of eminent knowledge present in the value chain and superior value creation. The success of an organization is more dependent on intangible resources such as knowledge and brands and less on the tangible reserves of land, labour and capital. The above insights form the background of the study and from which the problem statement followed.

The problem can be summarized by reference to the necessity of an organization to capture the knowledge and competencies of the organization and its customers, leverage this knowledge within its value chain and

transform it into activities that lead to value creation in hyper-competitive markets, i.e. innovative brand development. The objective of the study was to investigate the pertinence of knowledge management practices and tools for brand development and brand innovation, by reviewing the research literature on knowledge and brand management. A review of the literature intended to provide a synthesis on the importance, relevance and impact of leveraging knowledge for innovative brand development, with the ultimate aim of proposing a tentative model to enhance the understanding of the means to leverage knowledge for innovative brand development.

To achieve the objectives of the study, chapter 2, through to 4, sought to provide the reader with an overview and clarity on the dynamic nature of brands and the relevant role of knowledge (chapter 2), knowledge management systems and practices facilitating knowledge leveraging for innovative brand development (chapter 3) and relevant knowledge management approaches and tools for innovative brand development (chapter 4).

Chapter 2 reviewed extant research literature concerning the concept of brands. The review of literature contributed to an enhanced understanding of the brand concept, how the concept has changed due to the influence of a 21st business model and modern marketing challenges and the subsequent relevance and importance of a brand in creating value for an organization, due to its dynamic nature and knowledge content. An analysis of all research literature undertaken in this chapter highlighted the rising importance of a brand within a highly competitive, knowledge-driven, global economy and the significance of the knowledge content of a brand in creating value, therefore, suggesting that managers should think carefully about brands from a strategic perspective.

Prior to an analysis of knowledge management approaches and tools for knowledge leveraging, a critical discussion of the discontinuities that seem to characterize traditional, knowledge management systems and practices and certain paradigm shifts encountered by the knowledge-driven, innovative

organization, was considered in the first two sections of chapter 3. The purpose thereof was to demonstrate the key dimensions of a knowledge-driven, innovative organization and the subsequent need of a new perspective for knowledge management systems and practices, supporting the effective creation and leveraging of knowledge critical for innovative brand development.

In view of the necessity to adopt a new knowledge management system and practice approach, chapter 3 concluded with an anatomisation of a new perspective for strategic knowledge management systems and practices, based on the framework proposed by Rao (2005) to facilitate knowledge leveraging for innovative brand development.

Chapter 4 introduced the reader to the necessity of knowledge management approaches and tools in order to recognize an organization's strategic knowledge gap and the knowledge required to minimize the knowledge deficit of an organization. Thereafter the chapter critically analysed various knowledge management approaches and tools including CKM, CEM, the SECI model of knowledge creation and CoPs to leverage knowledge for brand innovation.
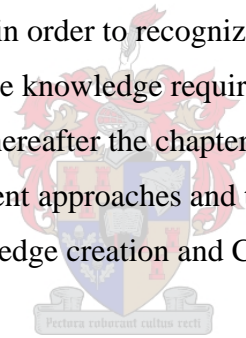
Chapter 5 presented the tentative model, demonstrating the relationship between the brand and importance of knowledge, as well as relevant organizational practices, tools and approaches, to facilitate knowledge leveraging for innovative brand development. By developing and implementing the proposed tentative model, it suggests that organizations are able to differentiate from competitors through superior value added to the organization by means of leveraging consumer knowledge for innovative brand development.
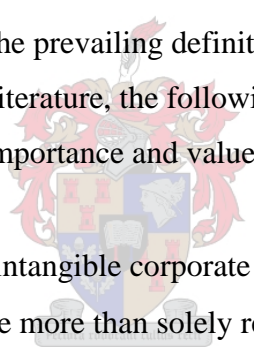
The final chapter, chapter 6, provided a summary and conclusions to the study, and subsequently made recommendations for future avenues of research in the direction of brand innovation with regards to the proposed tentative model of leveraging knowledge for innovative brand development.

6.3 Conclusions of the Study

The emergence of the knowledge-driven, innovative economy and brand owning companies, concomitant with organizational challenges to create value and competitive advantage, as discerned in chapters 1 and 2, elaborate the necessity to leverage knowledge for innovative brand development. The current trends and challenges which confront an organization, provide the inspiration to undertake a study to contribute to an improved understanding of knowledge management practices and approaches an organization may adopt to facilitate knowledge leveraging for innovative brand development.

The most salient conclusions made throughout the study, enumerated in the following manner, are:

(a) Upon analysis of the prevailing definitions of a brand as prevalent in the current management literature, the following preliminary definition of a brand clarifies the brand's importance and value to an organization:

- A brand is an intangible corporate asset;
- Perceived to be more than solely representing the product, but as;
- A unique set of associations held in the consumers' mind;
- Consists of tangible and intangible attributes;
- A promise to deliver perceived benefits better than the competition, thereby;
- An important source of value creation, value capture and value sustainability, and;
- Endowed with the potential to enhance financial value.

(b) The rise of brand owning companies and the new distinction between physical assets and intangible assets has allowed brands to be recognized as a valuable intangible corporate asset that can be uniquely leveraged into a competitive advantage. The following factors identified, contribute to the

transformation of the brand concept and the manner in which organizations manage a brand asset:

- Saturated Markets
- Fragmented Markets
- Globalisation
- Market Intelligent Customers
- Consumers as Co-Creators of Value
- The Challenge of Ethics
- Customer-Brand Relationships
- Organization Wide Brand Management
- Brand Orientation
- Brand Asset Management Teams
- Capitalization of 'mega-brands'
- Exploitation of Brand Equity
- Leveraging Global Brands
- Global Brand Leadership
- Visionary Brands

(c) Notably, upon analysis of the vast literature concerning the relevance and importance of brands, brands proffer organizational-related value in the form of brand equity, innovation-related value to amplify brand equity and consumer-related value due to strong brand equity.

(d) Upon review of brand knowledge research, the foundation to conceptualise the relationship consumers' establish with brands forms. Consumer brand knowledge can be defined in terms based on an associative network memory model proposed by Keller (see e.g. Keller 1993, 2003b) and the dimensions of brand equity as proposed by Aaker (1991):

- Brand Awareness
- Brand Image
- Brand Associations

- Brand Loyalty
- Perceived Quality

(e) Upon assessment of various authors opinions concerning the affect of brand-COO knowledge on global organizational activities, the strategic impact of brand-COO on brand SA was identified and the following proposed solutions for South Africa leveraging brands in a global economy based on a framework provided by Kim (1995) that combines brand popularity and country image, suggested:

- Brand managers should focus on strengthening brand equity management given the country equity or liability.
- Constantly upgrade quality level of brands consistently with the images associated with their country of origin.
- Create brand images that are consistent with their favourable country images.
- Maintain market share of favourable brands.
- Differentiate brands by providing distinctive bundles of products that dissociate from negative country images.
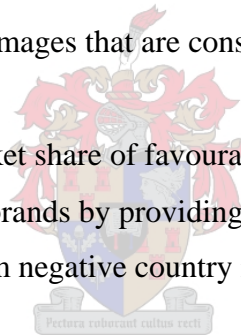
(f) A thorough review and analysis of the knowledge management literature elucidated certain paradigm shifts organizations competing in the knowledge-driven, innovative economy have encountered. The study presents the following paradigm shifts in an effort to summarize and synthesize the vast literature on knowledge management systems and practices, to define a new strategic management mindset for innovative brand development:

- A Shift in Value Chain Focus, encouraging;
- Collaboration of Consumer and Organizational Knowledge, to;
- Leverage Knowledge, for;
- Value Creation, and;
- Innovation, to achieve a;
- Competitive Advantage

(g) Upon review of extant literature concerning the new knowledge-driven, innovative economy, the following knowledge management systems and practices highlighted, facilitate knowledge leveraging for innovative brand development:

- The means of *connectivity* of those who possess the knowledge (the customer) and those who need the knowledge (organizational brand development).

- The competent management of an organizations' knowledge *content*.

- Establishment of a *community* of practice as a vehicle for learning where people generate new knowledge that increases the organizational stock of knowledge and facilitates the flow of knowledge capital in an organization.

- A supportive organizational *culture* is a key prerequisite for knowledge leveraging.

- A systemic method for building a knowledge-centric *capacity* in employees and the organization.

- *Cooperation* of organization's customer relationships to garner knowledge.

- *Commercial* and other incentives to promote knowledge sharing between an organization and its customers.

- Various means to measure the *capital* value of an organizations knowledge and brand management activities.

(h) While a vast quantity of knowledge management approaches and tools exist for the management of knowledge, the following four approaches were

found to lend themselves for leveraging knowledge for innovative brand development:

- CKM
- CEM
- The SECI Model of Knowledge Creation
- CoPs

(i) Upon synthesis on the importance, relevance and impact of knowledge leveraging for innovative brand development, figure 17 illustrates a tentative model of 'knowledge leveraging for innovative brand development'.

6.4 Recommendations for Future Avenues of Research

The study concludes with the provision of recommendations categorized into two generic areas. Firstly, recommendations are made regarding the advancement of theory and secondly, concerning the application of the model to business practices.

6.4.1 Recommendations for the Advancement of Theory

Recommendations for an improved understanding of the proposed tentative model of knowledge leveraging for innovative brand development, based on the analysis in the present study can include, but may not be limited to, the following:

(a) A fundamental step for the advancement of theory would be the validation of the proposed tentative model as it emerged from the study for the innovative development of brands through leveraging knowledge.

(b) Future avenues of research may consist of analysis and examinations of the proposed tentative model to clarify the structure, relevance and

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general approach of concepts or dimensions acknowledged in the diagram to scrutinize the appropriateness of the model in practical environments.

6.4.2 Recommendations for Business Application

Recommendations for an improved understanding of the application of the proposed tentative model of knowledge leveraging for innovative brand development, based on the analysis in the present study can include, but may not be limited to, the following:

(a) An examination of the relevance of the tentative model in its present form to various industries. A general agreement concerning the fact that brands assume greater or lesser pertinence across different industries and their knowledge needs exists. Therefore, in order to establish the need for an active engagement with the proposed model, a consideration of the diverse degrees of relevancy is required.

(b) Provision made for possible industry dynamics and reconfiguration of organizational knowledge management practices and approaches. Such dynamics may affect the relevance of the tentative model. The model needs to allow the incorporation of sufficient sensitivity in order to accommodate industry specific characteristics and dynamics.

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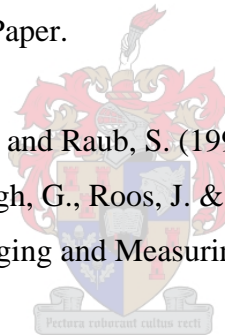
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