

# Chapter 49

## Knowledge for Business Innovation in Software Industries

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### ABSTRACT

*Business innovation is almost limitless with the advent of software industries and latest technology. The purpose of this chapter is to explore different concepts regarding knowledge for Business Innovation and describe it for Software Industries. The chapter contributes to the literature by describing Business Innovation, their types, role, scope, opportunities and its requirement especially in Software Industries; and role played by knowledge for Business Innovation. The outcome shows how knowledge helps for robustness in decision making. Whereas traditional business innovation often focuses on balancing engineering and finances in order to create functional utility for consumers, design thinking focuses first on what customers desire in order to create emotional values.*

### INTRODUCTION

The use of knowledge for Business Innovation has to be considered as a challenging paradigm. Knowledge formalizes and also systematically organizes the experience and expertise that create new capabilities, enable superior performance, encourage innovation, and enhance customer value. Three fourth of world's corporate market value resides today in assets such as intellectual property, customer data, financial records, strategies and trade secrets. These assets are all knowledge based. Knowledge and its Management have been dealt with by many researchers from time Wiig (1990) in a key-note address for the United Nation's International Labor Organization was the first to redress this issue. There are number of interpretations and the term knowledge management is gradually being more elusive. McKinsey Survey found that more successful firms had a better understanding of knowledge management and the need of it to be considered holistically throughout the organization is imperative.

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A number of industries are working with different software partners to come up with software tools that will help them to make robust decisions. They have the potential to be commercialized and offered as a service to other businesses. The issues that they all have is that there is lot of knowledge in different pockets of business but it has to come together to be really helpful in making decisions. A knowledge base, customized to each industry, that draws together previously dispersed information not only on the internal working of the business, but also the external social, technical, economic, environmental and political factors that affect its operation in different markets is essential.

Industries using these tools and technologies should be able to assess new opportunities quickly and come to well-founded decisions on what they need to do in future. Usually when decisions in one area are made they have an influence on decisions in other areas so that the real value of the tools is to use them in combination and to be able to share this common knowledge. Business Innovation goes more in-depth into how various knowledge processes are influenced by and simultaneously influence on the collaborative learning processes and how they can be managed by industries throughout the phases of the innovation process, including entrepreneurial activities to create new opportunities. Traditionally, industries engaged in innovation have tried to protect their knowledge assets in different ways. Collaborative innovation, however, challenges these managerial approaches; in other words, how can industry cope with the specific management problems that collaborative innovation may exert and at the same time exploit the advantages of bringing in valuable external knowledge to the Industry is the key concern.

Business innovation has been in focus within research areas in recent years. In a globalised economy, innovation is critical for firms and organizations to ensure continuing competitive advantages. Continuously, firms and organizations offshore/outsource various business activities and engage in many different types of collaborations to improve their competitive position. This often implies a geographical and/or legal separation of innovation activities. Consequently, an important issue is how firms and organizations can bring in and use business modeling and internal or external knowledge to conduct the innovation process. One way of bringing external knowledge into the firms and organizations is to facilitate collaboration among external and internal actors, implying that both internal and external actors are involved in the learning processes aiming at business model innovation. This perspective brings collaborative innovation to the forefront. Collaborative innovation draws on external as well as internal actors' knowledge creation; it is about combining new and existing knowledge in inter-/intra- and entrepreneurial ways. Thus, in a globalised knowledge-based economy, entrepreneurial activities involving external and internal actors are of huge importance to the development of new business models and the business innovation process.

## **BACKGROUND**

Business innovation and business model innovation are the focal point. The Business Innovation goes more in depth into how various business modeling and knowledge processes are influenced by and simultaneously influence on the collaborative learning processes and how they can be managed by firms and organizations throughout the phases of the business innovation process, also including entrepreneurial activities to create new opportunities. Traditionally, firms and organizations engaging in innovation have tried to protect their knowledge assets in different ways. Collaborative innovation, however, challenges these managerial approaches; in other words, how can firms and organizations cope with the specific

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