

## Chapter 2

# Examining Strategic Fit and Innovation in Terms of Competitive Strategies and Knowledge Management

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### ABSTRACT

*Employees working for knowledge management change traditional concept of labor and become an important activator of organizational value. Therefore, in the age of technology, organizations started to give importance to “knowledge management” to reach their performance targets. Knowledge management plays a key role in organizations’ accumulation of intangible assets and the organizations use information resources of social networks to maintain their competitive advantage and increase their level of competitiveness. Knowledge management is an important intangible asset for the organizations. Therefore, it is necessary to examine how the information and knowledge management affect organizational performance, and what are the best strategies to achieve good impact. The path to successful strategy and innovation goes through well-implemented knowledge management.*

### INTRODUCTION

The concept of strategic alignment emphasis the necessity of cohesion with the organizational strategies. In today’s technology age, it is very important for organizations to focus on innovation in production or service in terms of strategic management. Basically, the organisations expect to achieve better performance after the implementation of the strategies (Lukas et al., 2001). The concept of strategic alignment has played an important role in the development of strategic management and organizational theory (Zajac, Kraatz & Bresser, 2000). At the same time, it has gained a significant place in the field of marketing in theoretical sense (Vorhies & Morgan, 2003). It is a fact that global competition is increasing every day and turns the world into a single market and therefore, concept of knowledge management becoming

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an important competitive advantage tool for the organizations. In 2012, Peter Drucker's study indicated that the capital and labour, which are the important elements of production, will be gradually replaced by information, and the knowledge management will have the key role in the organisations.

In terms of strategic alignment, competition strategies and innovation strategies should be taken into consideration in production and service sectors. Especially in the service sector, cost management strategy is accepted as the most suitable strategy in intense competition (Enz, 2011). In a highly competitive environment, the organizations should examine the consumer demands and requirements and should generate new ideas or provide new approaches by using knowledge management in order to gain new customers and increase loyalty of existing customers and be ahead of the competitors. In the manufacturing sector, it is recommended to increase the quality and level of knowledge management in all functional activities in order to carry out successful process innovation. Moreover, if strategic alignment and innovation implemented together with competitive strategies, it is likely to reduce costs and increase market share in the service sector. In order to implement the differentiation strategy in the service sector, the organisations should find a way to differ either in innovation, technology, location, creativity, branding or employees' experience-competencies and skills. The combination of knowledge management and innovation is becoming more important in competitive strategies. Collecting the information from the market/sector, analyzing, disseminating/sharing the analyzed information within the organization and responding quickly to the demands/needs of the consumers bring success. In particular, innovation arises from the objective of meeting the demands and needs of consumers. Therefore, it is necessary to use skills and resources efficiently in order to achieve successful results from implementation of competition strategies.

In the intense competition environment, it is important to determine and implement the most appropriate business strategy for the problems faced. The researchers agree that in the case of many complex problems, the organisations should examine the problems and interrelations between them and adopt a specific point of view (Meyer, Tsui & Hinings, 1993; Rasula et al., 2012). The main reason for the determination of business strategy is to specify business relations and to understand the importance of the trust and commitment behind these relations and the alignment between each other. The business relationships of the organisation and their alignment with business strategies are important in terms of both evaluating performance and identifying the most appropriate strategies. Organizations define strategic directions or implement business strategies to compete in their sector (Varadarajan & Clark, 1994). It is necessary for the organisations to classify and identify different business strategies. Therefore, the selection of different strategies, the implementation of strategies together with innovation and knowledge management have become an indispensable element for the organizations. When we examine the types of strategies, we see that well-known researches such as Miles and Snow (1978), Mintzberg (1979) and Porter (1996) have made business strategy classifications.

Porter's theory aims to make organizations successful by taking advantage of different perspectives. For example, he explains the structure of organizations and the types of the strategy they need to implement in that sector. The importance of strategic alignment theory was first proposed by Thompson in 1967 with an aim to adapt organisational process to its environment. This means that it is possible to cope with environmental uncertainties and to achieve a competitive advantage by adapting to the external environment (Bergeron et al., 2001). The external environment has a great impact on organizational performance, both in terms of market opportunities and environmental uncertainty. Organizations have to identify and implement strategies to tackle environmental uncertainties and changes (Thompson, 2017). Organizations with a good strategic alignment are more likely to have higher organizational performance.

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