

# Chapter 1

## Creating Product Innovation Strategies through Knowledge Management in Global Business

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### ABSTRACT

*This chapter aims to create product innovation strategies through knowledge management (KM) in global business, thus explaining the theoretical and practical concepts of product innovation strategy and KM; the significance of product innovation strategies and KM in global business; and the creation of product innovation strategies through KM in global business. The capability of product innovation strategies and KM is significant for modern organizations that seek to serve suppliers and customers, increase business performance, strengthen competitiveness, and attain regular success in global business. Modern organizations should establish a strategic plan to create product innovation strategies through KM. The chapter argues that creating product innovation strategies through KM has the potential to improve organizational performance and achieve strategic goals in global business.*

### INTRODUCTION

Product innovation is important to the growth, success, and survival of firms (Deng, Hofman, & Newman, 2013). Product innovation is a key to organizational renewal and success (Slater, Mohr, & Sengupta, 2014). The challenges of successfully developing new products have received considerable attention from a variety of marketing, strategic, and organizational perspectives (Bohlmann, Spanjol, Qualls, & Rosa, 2013). Supply chain partner innovativeness enhances a firm's

innovation strategy which positively influences innovation performance (Oke, Prajogo, & Jayaram, 2013). To develop successful new products, new product development (NPD) managers need to have a thorough understanding of the consumer adoption process, specifically in how consumers evaluate the new products (Mugge & Dahl, 2013).

NPD is a knowledge-intensive activity which involves the active inward and outward technology transfer (Frishammar, Lichtenthaler, & Rundquist, 2012). The development of new products requires organizational resource sufficiency for the process

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to be systematically conducted (Cunha, Rego, Oliveira, Rosado, & Habib, 2014). While an organization can choose to develop an innovation internally or externally, the internal knowledge development and external knowledge acquisition tend to interact with each other in the innovation process (Xu, Wu, & Cavusgil, 2013). Innovation has positive performance implications (Stock & Zacharias, 2013). Inventive collaborations with users enhance corporate product innovation and that the benefits are greatest in new technology areas and in the generation of radical innovations (Chatterji & Fabrizio, 2014).

Although product innovation is a key tool for firms competing in the marketplace, innovating firms often fail to obtain economic returns from their product innovations (Su, Xie, Liu, & Sun, 2013). Organizational knowledge creation, as reflected in NPD, is a vital process for firms to gain competitive advantage (Akbar & Tzokas, 2013). Knowledge and innovation play a certain role in regional economic growth (Šipikal & Buček, 2013). Innovative product development is highly dependent on new product ideas and product information (Neumann, Riel, & Brisaud, 2013). Understanding the conditions under which organizational groups operate is basic for successfully managing innovation (Koch, 2012).

The strength of this chapter is on the thorough literature consolidation of product innovation strategies and KM. The extant literatures of product innovation strategies and KM provide a contribution to practitioners and researchers by describing a comprehensive view of the functional applications of product innovation strategies and KM to appeal to the different segments of product innovation strategy and KM in order to maximize the business impact of product innovation strategies and KM in global business.

## **BACKGROUND**

Both theoretical and conceptual understanding of innovation has developed significantly since the early 1980s (Hong, Oxley, & McCann, 2012). Localization of knowledge flows has been extensively examined in the literature on innovation (Fabrizio & Thomas, 2012). From a customer's perspective, a more innovative product tends to have uncertain benefits and requires customers to learn new behaviors (Bohlmann et al., 2013). Attempting to move away from the commodity-based products into the higher value-added products remains one of the key challenges for research and development (R&D) managers (Simms & Trott, 2014). To minimize the risk associated with innovation, most scholars agree that firms should engage simultaneously in two types of activities (i.e., exploring new alternatives and exploiting existing competencies) (Dahlin, 2014).

The information and communications technology sector embodies the wide-ranging opportunities for innovation-driven value creation and structural upgrading among the interdependent industries and economies (Wattanapruttipaisan, 2014). Established firms will gain valuable innovative insights by working with user innovators (Smith & Shah, 2013). Many manufacturing firms have initiated their product innovation processes toward transferring knowledge with external partners in the markets for technology (Lichtenthaler, 2013). Firms in the future must be excellent in developing commodities or innovative functional products (Storm, Lager, & Samuelsson, 2013). Consumer acceptance of new products is the key to new product success and requires the effective implementation of market launch activities (Kuester, Homburg, & Hess, 2012).

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