

Chapter 31

Knowledge is Power: Knowledge Management, Innovation, and Competitive Advantage: An Example from Egypt

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ABSTRACT

In this chapter, the authors suggest that the success of the Knowledge – Knowledge Management – Knowledge Transfer – Innovation – Competitive Differentiation and step-by-step progression may be moderated and even compromised by cultural considerations. These can be the result of organizational and/or national cultural characteristics impacting on organizations and employees. These organizational and national cultural variables can be closely intertwined. The geographical focus of this chapter is based on Egypt, located in the Middle East/North Africa, currently in a state of political upheaval. The focus on Egypt reflects the interest and experience of the authors, and the perception that culture may be playing a part in the problems experienced by companies in Egypt in achieving a high level of sustained innovation. Companies in Egypt are still struggling to gain competitiveness in world markets, and culture is playing a big role in this struggle. Currently, politics and demands for democratic representation are also muddying the waters. These cultural issues, the authors argue, can be seen in terms of moderating the behavior of employees in the knowledge accumulation and knowledge transfer processes. Qualitative evidence is presented from interviews with managers at five Information and Communications Technology companies which suggest that the authors' propositions may be well-founded.

DOI: 10.4018/978-1-4666-0077-5.ch031

INTRODUCTION

“Knowledge is power” is a well-known phrase, used in business, politics and the military. Leaders who understand the intricacies of the situation could gain more respect, and have more authority, than those without the knowledge. Increasingly, this concept is being applied in a management context – the employee with knowledge of the inner workings of the company, of how decisions are made, and with up-to-date and relevant technical know-how – can be more effective and successful. But for an organization, recruiting and retaining employees with knowledge is not enough – especially to build competitive advantage, which often comes from innovation. *Transferring* that knowledge between employees – and it can be that customers, suppliers and other stakeholders also play their part – is critical for organizational improvement.

The objective of this chapter is to introduce the basic concepts of ‘Knowledge Transfer’ and ‘Knowledge Management’ and their relationship with the achievement of innovation in business, especially within the context of national and organizational culture as moderating factors. A history of the concepts will be presented along with basic definitions. This will include references to the theoretical underpinnings of the subjects, along with a discussion of the main authors in the field and their interpretations.

This chapter will attempt to tackle the issue of the impact of knowledge management and transfer on organizations which are seeking a stronger competitive stance in the global market. Readers will be helped to understand how knowledge management and knowledge transfer can contribute to innovation, hence enabling businesses and organizations to differentiate themselves and create value. Conversely, the absence of knowledge management and knowledge transfer processes can restrict innovation and hence limit value-added.

BACKGROUND TO THE CASE STUDY

As a practical case study, the authors have chosen Egypt as an example of a promising emerging market country. Like all would-be centers of technical and business innovation, Egypt is facing pressures for a transformation in the area of knowledge transfer. In the past, there has arguably been a reluctance to transfer knowledge due to deeply ingrained beliefs that knowledge should be retained with top management, or at most a selected handful of trusted employees. The *UNDP – Arab Human Development Report* published in 2003, with the theme of ‘Building a Knowledge Society’, clearly identifies the situation of knowledge transfer in Egypt and states that ‘our scientific life in Egypt needs to catch up with our past in order to acquire the necessary strength, life and controls. We in Egypt transfer the knowledge of others, then leave it floating without any relationship to our past or any communication with our land’. Now, in 2011, this situation has not changed for the better, despite some economic growth and globalization. The current political and constitutional uncertainty is not helping in this process, with businesses on hold and employees facing an unclear future. Issues of job security are making objectives of improving knowledge transfer processes temporarily redundant.

The qualitative case study on which this chapter is based has utilized interviews conducted with 25 junior and senior managers of five information and communications technology (ICT) companies in Egypt, chosen as a representative of the Egyptian market. ICT was selected as a cutting-edge industry requiring a high degree of innovation (and thus knowledge transfer) to be successful. It was thought that if knowledge transfer was improving in Egypt, it would be here, in this sector. So, a questionnaire was designed to discern whether knowledge is being transferred between employees – or not – and was used to test these respondents and their knowledge-transferring tendencies. This

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