

# Chapter 1

## Introduction

### 1.1 Preface

Knowledge management looks into the possibilities of taking an active influence on the knowledge resources within a company. Apart from the more traditional production factors like work, capital and land, the fourth production factor 'knowledge' is becoming more and more important.<sup>1</sup> In order to manage knowledge and thus ensure the company's long-term economic stability, a knowledge-oriented approach is needed – and this includes customer knowledge.<sup>2</sup>

### 1.2 Research Problem

These days, our social reality is in a state of flux, developing from an industrial society via an information society towards a knowledge-based society. Typical of an information society is a flood of information that is no longer manageable without technical means.<sup>3</sup> If you want to take the right decisions, it is however necessary that the relevant information is provided fast, well-targeted and comprehensibly.<sup>4</sup> Knowledge must be available at

---

<sup>1</sup>Cf. Willke, H. (1998), p. 1.

<sup>2</sup>Cf. Nohr, H., Roos A. (2003), p. 35.

<sup>3</sup>Cf. Ernst, H. (1998), p. 21.

<sup>4</sup>Cf. Bernard, A., Tichkkiewitch, S. (2008), p. 245.

the right time, in the right place and with the right quality. The successful provision of information is the future benchmark and is a problem that companies are currently facing. Modern information and communication systems will therefore be measured by how successful they cope with this problem.<sup>5</sup>

The prerequisite for the successful generation of knowledge is a company's ability to efficiently combine the different components and carriers of knowledge. For this purpose, the *individual* knowledge of the members of an organization needs to be transformed into *collective* and *organizational* knowledge.<sup>6</sup> Basically, collective knowledge accumulates through communication between the members of an organization. Communication helps to complement and further develop individual knowledge. Companies therefore need to meet this challenge and foster the process of transferring individual into collective knowledge and vice versa.<sup>7</sup> This process enables companies to gain a knowledge edge, for example over their competitors. We speak of an 'organizational knowledge base' if the entire knowledge of an organization is accumulated through special processes. By transferring individual into collective knowledge and vice versa, the organizational knowledge base is subject to permanent change. Strictly speaking, these changes trigger a continuous learning process within the organization. Organizations must undergo continuous learning.<sup>8</sup>

Companies need to accumulate information on subject areas that relate to their business areas. New insights gained from special publications, product descriptions, work instructions or experiences from people's daily work need to be entered into a knowledge pool. This can then be developed into a CRM tool (customer relationship management tool). Therefore, companies are faced with a double issue: on the one hand using such a tool and on the other hand collecting and structuring relevant knowledge.<sup>9</sup>

---

<sup>5</sup>Cf. Maier, R. (2007), p. 36.

<sup>6</sup>Cf. Heckert, U. (2002), p. 19.

<sup>7</sup>Cf. Nonaka, I., Takeuchi, H. (1997), p. 84.

<sup>8</sup>Cf. Dosi, G., Nelson, R. R., Winter, G. (2000), p. 54.

<sup>9</sup>Cf. Peelen, E. (2005), p. 56.

## 1.3 Research Objective

Companies' awareness of the need for sharing information and knowledge is of vital importance. On the one hand, knowledge management requires aids such as advanced technologies and intelligent tools that make knowledge organizable and manageable.<sup>10</sup> On the other hand, internal knowledge management is directly associated with the corporate culture of an organization. Knowledge is a personal property and thus closely linked to the persons who own it. Companies need to understand that the knowledge of their staff is a valuable intellectual capital, an added value that they should put into the focus of their activities.<sup>11</sup> Knowledge management is not exclusively a topic for big groups and multis. Especially SMEs (small and medium-sized enterprises) should rely on the systematic transfer and re-use of existing knowledge to survive in a fast-moving economic environment.<sup>12</sup>

For this reason, the present book investigates the knowledge management in SMEs. Although good customer service is their most important factor,<sup>13</sup> SMEs nevertheless have great difficulties in managing knowledge from, for and about the customer (see [Sect. 2.5](#)). Therefore, the link between knowledge and customer relationship and the impact of sharing knowledge will be examined within a case study ([Chaps. 6 and 7](#)). The following hypothesis has been formulated and needs to be verified:

*Knowledge Management is crucial for an improved Customer Relationship.*

- i) To validate this hypothesis, it will be examined whether there is a demand for knowledge and where the relevant knowledge comes from. Is an internal source available, or does the company depend on external sources?

---

<sup>10</sup>Cf. Harrington, H. J., Voehl, F. (2007), p. 88.

<sup>11</sup>Cf. Cloutier, L. M., Gold, E. R. (2005), p. 125.

<sup>12</sup>Cf. Beijerse, R. (2000), p. 162.

<sup>13</sup>Cf. 'SMEs in focus' (2002), p. 8.

- ii) The existing as well as the provided knowledge will be assessed with respect to quantity and quality. It will also be checked whether the required data is available unrequested or whether it is available on demand.
- iii) Furthermore, it will be explored if there is a correlation between the availability of and dependence on knowledge which can lead to an improved customer relationship.

This means that the first focus of the survey is on the provision and sharing of knowledge and customer data. The second focal point is the extent to which the company's employees depend on this data.

## 1.4 Structure of the Book

[Chapter 2](#) contains a definition of SMEs, given by the European Union that is valid for all member states. It also includes a definition of SMEs in Germany, given by the Institut fuer Mittelstandsforschung Bonn and by the Kreditanstalt fuer Wiederaufbau. [Chapter 2](#) also outlines the difficulties and competition factors that SMEs are facing today and helps understand their importance in Europe. Finally, the chapter introduces NEWCO International GmbH as this company will be examined in the case study.

In the course of this book, it will become clear why SMEs need to learn how to manage knowledge – and especially customer knowledge. [Chapter 3](#) therefore focuses on different types of knowledge and explains the different approaches to knowledge management. It describes the process of knowledge development and the interaction among the different types of knowledge.

[Chapter 4](#) deals with knowledge transfer and sharing in order so as to better understand the complexity of knowledge exchange. It describes how knowledge exchange takes place through individuals or groups within an organization. It also reveals how well-trying processes are transferred within an organization even though a company may be faced with various difficulties. An illustration of the barriers to knowledge exchange completes this chapter.

**Chapter 5** explains the different ways of transferring customer knowledge. It also deals with the preconditions to sharing general and customer knowledge. A distinction is made between customer relationship and customer knowledge. It is shown how customer-oriented knowledge helps improve the interaction of company staff with their customers, thus proving the necessity for a company to use its customer knowledge resource.

**Chapter 6** is the first of two practical parts and serves for questionnaire preparation and result presentation. Based on a case study, the theoretical approaches explained in **Chaps. 1–5** are used to examine the hypothesis of this book. The investigation is conducted by means of a survey, separately for the company's administrative and operational areas. The survey explores the importance of knowledge and customer relationship for these two corporate areas. Furthermore, it investigates the availability of knowledge and the staff's dependence on knowledge.

**Chapter 7** analyzes the results of the questionnaire. In a series of interviews conducted with the company's staff, the employees discuss the survey results. Based on the case study results, they not only make recommendations for the company as a whole, but also recommendations directed to the individual employees. This is followed by a critical analysis, including the previously identified key success factors.

The conclusion in **Chap. 8** sums up all main points of this book. A theoretical and practical summary will be given. This is followed by recommendations for the efficient use of the resource 'knowledge' in order to ensure an improved customer relationship. Finally, an outlook into the future will be given.

## **1.5 From KM to CRM: 'PKMA', '5-Step CDLS', 'CRI-C' and 'SIS'**

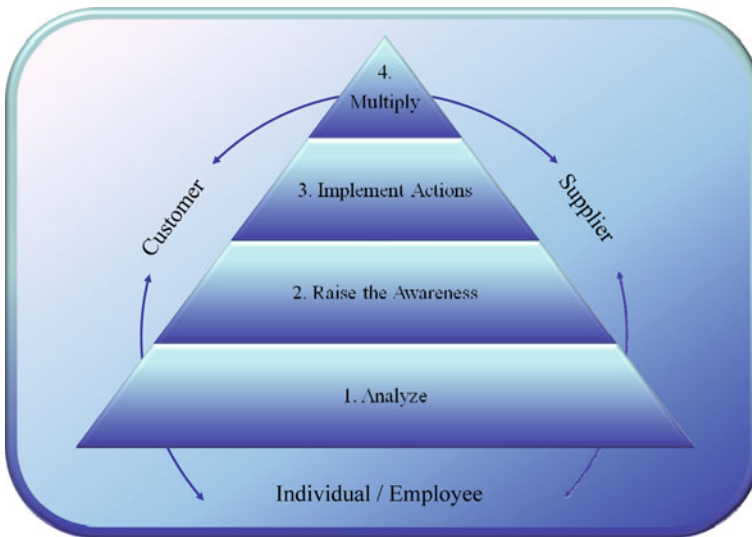
The following three questions are most frequently asked by the managers of SMEs and refer to companies without KM experience, to companies with an already existing database and to the process from KM to customer relationship.

### 1.5.1 Pyramid of Knowledge Management Awareness (PKMA)

*How should companies handle Knowledge Management if they had no or few points of contact up to now?*

In our today's business environment, it is of vital importance for companies to have knowledge from, for and about their customers. If a company has no or only little experience with knowledge management, it is helpful to follow the 4-step approach described below: the 'Pyramid of Knowledge Management Awareness' (PKMA) (Fig. 1.1).

1. Analyze the current knowledge situation in the company (for example by using a questionnaire).
2. Raise the awareness of the needs/benefits (have a close look at the mistakes made in the past concerning knowledge management).



**Fig. 1.1** Pyramid of Knowledge Management Awareness (PKMA)<sup>14</sup>

<sup>14</sup>‘Pyramid of Knowledge Management Awareness (PKMA)’ by Wilde.

3. Set up a plan and implement actions (for example by introducing a knowledge database or regular training).
4. Share and multiply relevant information (by making practical use of the database).

In this model, the next higher level can only be reached if the level before was successfully completed.

It is crucial to organize the available knowledge – knowledge sourced from the customers, the suppliers and the company's employees – and to learn from past mistakes. But it is even more important to share and multiply this knowledge so as to derive 'added value'. A company's intellectual capital is an intangible asset of high value and key to its long-term success.

### ***1.5.2 5-Step Customer Data Life Spiral (5-Step CDLS)***

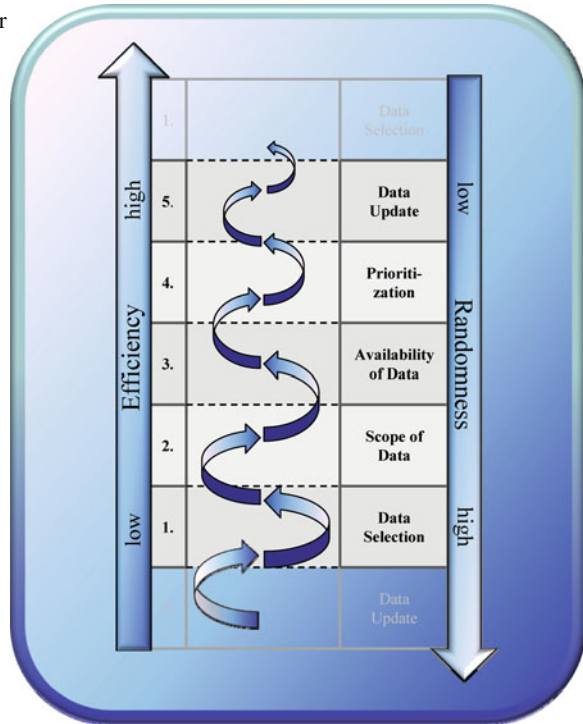
*How should companies improve the quality of their existing knowledge database?*

SMEs must undergo a continuous learning process. It is not sufficient to simply create such a tool – this tool must also 'come alive'. Companies with an existing tool often face poor data quality. There is a need to carefully select relevant information. But how can relevant data be identified? The following approach, called '5-Step CDLS' (5-Step Customer Data Life Spiral), is a concept that may help enhance an established CRM/CKM tool (Fig. 1.2).

1. Find out which data is needed.
2. Decide to which extent this data is needed.
3. Decide on whether the information is or will be available internally or must be obtained from external providers.
4. Prioritize the need for data maintenance resp. the need for additional applications.
5. Start the implementation of additional features resp. update/optimize existing data.

It is highly important to involve the staff into this process. In this way, the employees will develop a sense of being part of this

**Fig. 1.2** 5-Step Customer Data Life Spiral (5-Step CDLS)<sup>15</sup>



process and achieve a higher understanding of its necessity. The practical implementation of the tool requires concrete measures. It is helpful to establish concepts, e.g. (i) an authorization concept (who has access to which data), (ii) an updating concept (who fills in which data resp. who is responsible for updating), (iii) a content organization concept (how can the information flood be handled and the quality be improved). In brief, the existing tool with its unstructured mass of information must be made more efficient.

### ***1.5.3 Customer Relationship Improvement Cycle (CRI-C)***

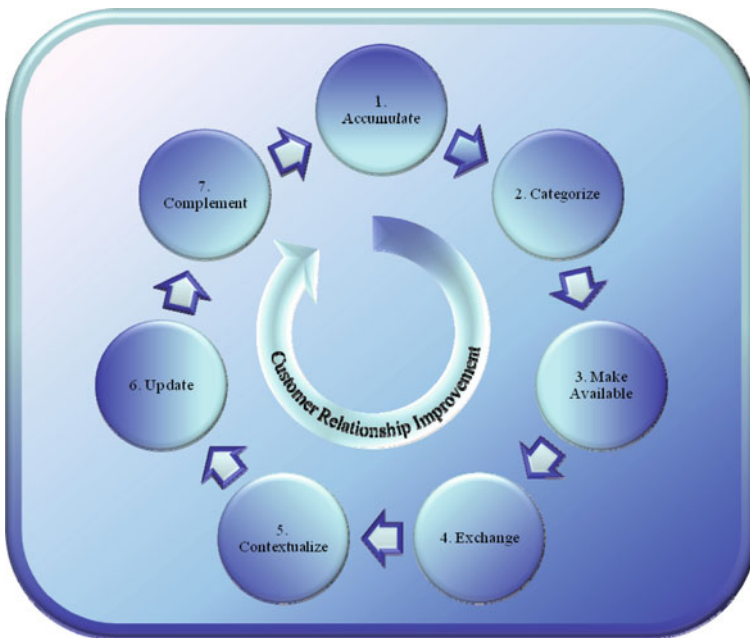
*How can Knowledge Management help improve Customer Relationship?*

<sup>15</sup>‘5-Step Customer Data Life Spiral (5-Step CDLS)’ by Wilde.



Before a company can undergo a *customer-oriented* learning process, it needs to tackle the challenge of an *internal* learning process. To ensure a high service level and an optimal customer relationship, companies should consider the following consistent 7-step approach which, in future, may become well-known under the name of 'Customer Relationship Improvement Cycle' or 'CRI-C' (Fig. 1.3).

1. Accumulate the data within the company.
2. Categorize the collected information.
3. Make this knowledge available for the in-company users.
4. Exchange the information among the staff.
5. Contextualize the relevant knowledge and make it available for customers.
6. Constantly update/optimize the information.
7. Complement the knowledge by a database platform.



**Fig. 1.3** Customer Relationship Improvement Cycle (CRI-C)<sup>16</sup>

<sup>16</sup>'Customer Relationship Improvement Cycle (CRI-C)' by Wilde.

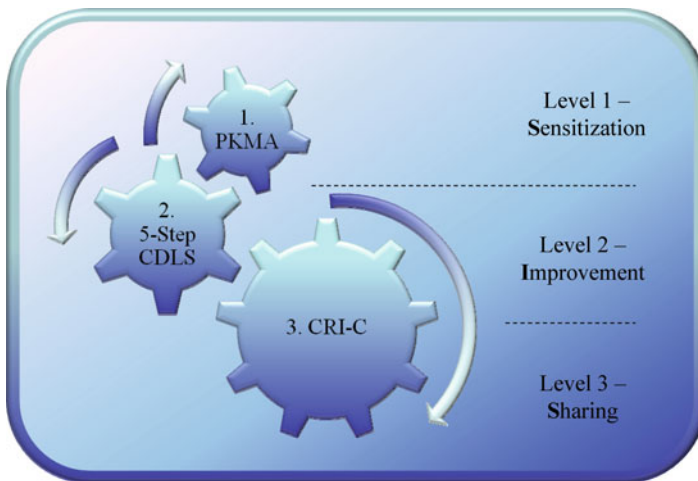
With the help of this model and in an atmosphere of mutual trust, it is possible to (i) jointly develop products with the customer, (ii) speed up the innovation process, (iii) react faster to changing demands and (iv) gain competitive edge. At the end of the day, the ultimate aim of every company is PROFIT! So: The better the customer relationship, the higher the profit.

### ***1.5.4 Sensitization – Improvement – Sharing (SIS)***

*Conclusion of these Questions is the following Approach to Customer Relationship Management*

When undertaking the project of improving a company's customer relationship management, it is important to have a clear conceptual approach. This can be done based on the 'SIS Model' (Sensitization – Improvement – Sharing). Every single step of this model represents one level in the overall process (Fig. 1.4).

In order to be successful, it is necessary to follow this sequence and complete the different levels step by step.



**Fig. 1.4** Sensitization – Improvement – Sharing (SIS Model)<sup>17</sup>

<sup>17</sup>'Sensitization – Improvement – Sharing Model (SIS Model)' by Wilde.