

CITY UNIVERSITY OF HONG KONG
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The Contribution of Customer Knowledge to
Innovation and Organizational Performance: A
Dynamic Capabilities Perspective
從動態能力視角看客戶知識如何促進
企業創新及業績

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Abstract

Customer knowledge has been recognized as one of the most valuable assets of an organization, which helps organizations optimize resource utilization to address customer needs and wants to increase customer value. However, customer knowledge itself is not sufficient for organizations to achieve this objective, and only has meanings in the context of a process or capability to act. This thesis examines the underlying mechanism of converting customer knowledge into organizational outcomes (i.e. firm performance) through innovation from a dynamic capability perspective. Both financial performance and customer equity was examined in this research. Financial performance is the monetary outcome of an organization, while customer equity is the perceived value delivered to customers.

Prior research suggests that innovation can be viewed as a response to customer needs, wants, and aims; and leads to stronger business performance. This means that innovation plays a significant role in the process of converting customer knowledge into the business outcome. However, the question of how innovation comes into play remains unanswered. In addition, the ability to innovate is idiosyncratic, even among firms operating under exactly the same environment conditions. The question of what makes the innovation outcomes different is also intriguing. Drawing upon the dynamic capability perspective, this research investigated the link between customer knowledge and organization performance. In particular, this thesis addresses the question of how customer knowledge contributes directly and indirectly to financial performance and customer equity by way of innovation and dynamic capabilities.

Using an on-line survey, data from 164 companies operated in Hong Kong were collected. Structural equation modeling was employed to test the measurement models and hypotheses. Path analysis was applied to examine the linkage and the underlying mechanism. The empirical results confirm that customer knowledge has a positive indirect influence on financial performance through customer equity. Besides that dynamic capabilities are antecedents to innovation that in turn have a significant effect on customer equity, and subsequently financial performance.

The theoretical and managerial implications of the findings are discussed.