

# Social Innovation in the context of Strategic Knowledge Management Processes for Supply Chain Performance Enhancement

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**Abstract**— the current knowledge-innovation led economy has regards social innovation and strategic knowledge management processes as a vital combination in addressing social, economic and technological problems in a concurrent way. Strategic knowledge management processes that consist the process of knowledge creation, knowledge transfer and knowledge application creates superior knowledge resource that can be embedded into products, processes and services which makes them highly innovative and ultimately contributes towards improving social well-being, enhance economic growth and also improving technological aspect. In similar vein, supply chain management is an integrated system and network which involves the connection process of supplier-end user relationship in terms of producing and delivering of a product, processes and services to the end users. The various network integration processes within the supply chain management system involves different background and motives of actors which may exposed the system into risks that perhaps may disrupt and affect the supply chain performance. Thus, this paper explores and gives a useful insight on the contribution of superior knowledge resource created within the processes of strategic knowledge management among actors in the supply chain management network. The new superior knowledge resource works as a vital solution to enhance the performance process of supply chain management network by improving external integration with suppliers, external integration with customers, and supply chain risk and therefore, helps to improving the quality of people's life, stimulate economic growth and enhance technological advances i.e. social innovation. **Keywords**— *Social Innovation, Knowledge Resource, Supply Chain Management*

## 1. INTRODUCTION

The outcome of innovation strategy is regarded

as the vital ingredient to produce superior products, processes and services which in turn stimulates economic and social growth. In recent economic environment, social innovation is gaining an overwhelming recognition from the policy makers, private sectors and public institutions worldwide due to its massive contribution in solving social, economic and technological problems concurrently [1]. According to [2], technological and other innovation outcomes appear to be ineffective as compared to social innovation in addressing complex social, economic and technological problems. As a result, social innovation has secured an important place within many nations' core policies worldwide. For example, developed countries among others in the UK, USA, highly industrialised European countries and few Asian countries for example Malaysia have recently included and incorporated social innovation as an outcome strategy in their main agenda of national economic policy initiatives [3].

On the other hand, present economic environment is moving into knowledge based society where new knowledge is regarded as the most strategic intangible resource that can be embedded into products, processes and services in order to make them superior [4]. With that, the association of social innovation as an innovation outcome strategy with strategic knowledge management processes that can produce superior knowledge resource is immensely important considering the outcome of both towards social, economic and technological aspects. In relation to the aspect of supply chain management, within the literature, supply chain management is viewed as an integrated system that involves among others; the movement of materials and products, a network of organizations that involved through upstream and downstream linkages in the different processes and activities that produce value in the form of

products and services in the hands of the ultimate customer [5]. From the previous statement, the supply chain management can be described as the connecting process across supplier-user relationship, starting from the raw materials and ending with the consumption of the finished products [6]. Hence, the various network integration processes within the supply chain management system involves different background and motives of actors which may exposed the system into risks that perhaps may disrupt and affect the supply chain performance.

Thus, this paper explores and gives a useful insight on the contribution of superior knowledge resource created within the processes of strategic knowledge management among actors in the supply chain management network. The new superior knowledge resource works as a vital solution to enhance the performance process of supply chain management network by improving external integration with suppliers, external integration with customers, and supply chain risk and therefore, helps to improving the quality of people's life, stimulate economic growth and enhance technological advances i.e. social innovation.

## **2. SOCIAL INNOVATION AND STRATEGIC KNOWLEDGE MANAGEMENT**

According to [7] in an economy where the only certainty is uncertainty, the one sure resource of lasting new innovation and competitive advantage is knowledge resource. Based on the previous statement, this paper explores the association of strategic knowledge management processes with social innovation. Within the literature, strategic knowledge management can be defined as the ability to identify, create, harness, transfer, integrate and apply superior knowledge resource resident in the individuals, teams or organizations that involves wide range of activities and interactions to improve and creates new innovation i.e. quality products, processes and services which is the key aspect of competitive advantage and to fulfil social needs [8]. Moreover, strategic knowledge management processes create three prominent processes namely; knowledge creation, knowledge transfer and knowledge application [8]. To elaborate further, knowledge creation is associated with the development of new knowledge [9], knowledge transfer refers to the transmission

process whereby knowledge is transferred within or across organization boundaries [10], and knowledge application is describes as how such knowledge is embedded and applied to create value, new innovation and competitive advantage [11]. These three processes of strategic knowledge management provide superior knowledge resource that can be embedded into products, processes and services [12].

In line with the above paragraph, new paradigm of social innovation is defined as a new and novel solution that can be embedded into products, processes and services in order to fulfil social, economic and technological needs and to improved quality and quantity of people's life [2]. From the above statement, in ensuring the success of social innovation as an outcome innovation strategy there must be a presence of a new and novel solution [13]. [14] and [15] describe the new and novel solution which is the main element of social innovation refers to the superior knowledge resource. This superior knowledge resource is embedded into products, processes and services which make them highly innovative and in turn lead to the outcome of improving the quality and quantity of people's life, stimulate economic growth and enhance technological advances [16]. Furthermore, the creation of superior knowledge resource is within the processes of strategic knowledge management namely; knowledge creation, knowledge transfer and knowledge application [17, 18]. In addition, according [19], university-industry partnership is the strategic platform to implement strategic knowledge management processes in producing superior knowledge resource.

To show evidence, [20] states that, social innovation helps to improve societal, economic and commercial related problems by creating new knowledge resource which acts as a novel solution into products, processes and services that work to meet pressing social, economic and technological needs and to improve quantity and quality of people's life. An empirical findings by [19] and [21], established that in the aspect of poor public education system, social innovation offers new solutions i.e. superior knowledge resource; that contributes to a better future knowledge worker. [22], also revealed that the result of deployment of superior knowledge resource within social innovation outcome on the issues of massive

unemployment, contributes towards increase in employment among people and also increase in consumption of economic benefits. Moreover, [23] and [24] highlighted that social innovation with the presence of superior knowledge resource leads to the introduction of superior products, processes and services that have a multiplier effects on the economic value in terms of profit maximization, market share monopoly and increase in private performance. [25] also stressed on the positive effects of social innovation and knowledge resource on the issues of social health. Knowledge resource leads to the establishment of superior medical products that can improve and enhance people's health. Therefore, social innovation is regarded as an important outcome of innovation providing new and novel solution i.e. knowledge resource; in dealing with social, economic and technological issues and other global issues which are becoming more crucial and requires continuous solutions to cope with [13].

### **3. SUPPLY CHAIN MANAGEMENT**

Generally, the supply chain comprises of all the internal and external functions of an industry which enable the value chain to produce items and supply services to ultimate customer or end user of an industry and in this context is the agriculture sector. Hence, the supply chain management essentially combines supply and demand management within and across business entities. This management philosophy concentrates on how businesses make use of their supply processes, technology, information, and skills to improve their business performance through the coordination of production, materials, logistics, and distribution and transportation functions within an organization supply chain management as an integrative strategic initiative to manage the overall movement of a distribution route from supplier to the end user [26]. Having stated so, the subsequent sections provide specific highlight on the three related variables of supply chain integration, vis-a-vis, external integration with suppliers, external integration with customers, and supply chain risk [27]. All these variables are anticipated having bearing on business performance. External integration with suppliers refers to the entity working closely with suppliers and viewing the latter as an important component of supply chain

[28]. This encompasses the degree of involvement and influence suppliers have in the company's decision. It also measures how closely suppliers work with company to seal a deal [29] and the level of strategic partnership with suppliers in terms of closer and longer-term relationships with suppliers [26]. Furthermore, External integration with customers refers to company working closely with customers and viewing the latter as an important component of supply chain [30]. The integration encompasses the degree of involvement and influence customers have in the company's decision [28]. On the demand side of a supply chain, through customer integration, firms will penetrate deep into the customer organization to understand its products, culture, market and requirements. With increased visibility, customer integration will further enable collaboration in demand planning [31] otherwise, due to the lack of information sharing from one end of the supply chain to the other, there will be tremendous inefficiencies in customer service [32], consequently affected business performance as a whole.

A supply chain management also involves network that includes vendors of raw materials, plants that transform those materials into useful products, and distribution centres to get those products to customers. Known also as the value chain, it is the sequence, which involves producing and delivering of a product or service. The simultaneous integration of customer requirements, internal processes and upstream supplier performance, however, is not commonly free from risk, vis-a-vis, supply chain management risk. Perhaps, the potential occurrence of possible or anything that may disrupt or impede the whole processes of supply chain management may affect the business performance.

### **4. KNOWLEDGE RESOURCE FOR SUPPLY CHAIN PERFORMANCE ENHANCEMENT**

The Resource Based View theory (RBV) explains strategic resource that is valuable, rare, inimitable and no substitutable can contribute massively towards social, economic and technological benefits [33]. Within the Knowledge Based View (KBV) theory, knowledge is regarded as the most significant resource [7]. KBV theory focuses specifically on the nature and role of knowledge in

order to achieve new innovation. The creation of superior knowledge resources that are embedded into products, processes and services provide long term solution; enhance performance and competitive advantage [34].

In the perspectives of supply chain management, the new superior knowledge resource that is created within the integration system of networks among parties involves through the independent processes of knowledge creation, knowledge transfer and knowledge application creates new knowledge resource and combined experience that are valuable, rare, inimitable and no substitutable help reduce errors, defects or flaws in routine, which leads to improved operational performance of supply chain management. Furthermore, supply chain integration, consist of external integration with suppliers, external integration with customers, and supply chain risk, creates a knowledge-led environment whereby all parties concerned get together in a flexible group of professionals, informally bound by common interests who interact through interdependent tasks guided by a common purpose through learning process and engaging together in informal discussion to help each other resolve problems by creating new knowledge resource. As a result, all parties enhance individual tacit and explicit knowledge resource, improve mutual trust and values and also promote the concept of social capital which has significant impacts towards supply chain and business performance.

## 5. Concluding Remarks

This paper gives a useful insight of social innovation as a new paradigm of innovation outcome strategy and its association with strategic knowledge management processes and also the integration with supply chain management. While supply chain management involves different background and motives of actors which may exposed the system into risks that perhaps may disrupt and affect the supply chain performance, this paper shed some lights as to why superior knowledge resource created within the strategic knowledge management processes i.e. knowledge creation, knowledge transfer and knowledge application; is important in order to enhance supply chain performance and ultimately contributes towards social innovation i.e. social, economic and technological benefits. Therefore, this paper

identifies and provides some promising avenues for future research and offers some interesting insights on the outcome of social innovation and knowledge resource within the context of supply chain management integration.

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