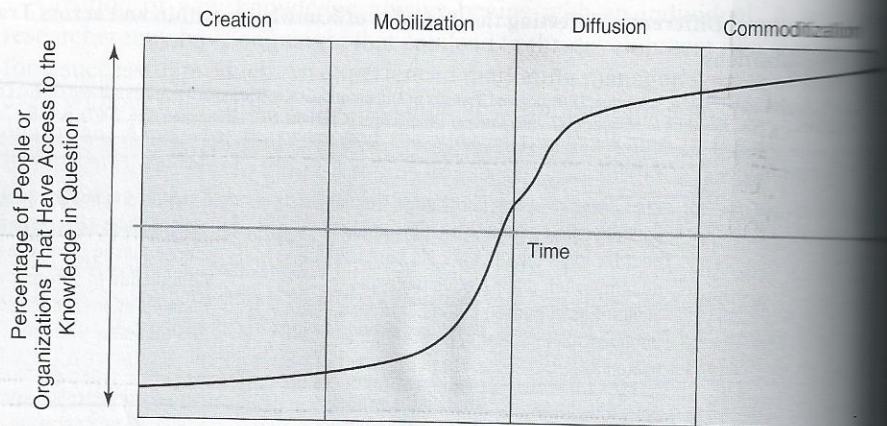


EXHIBIT 8.5 The Knowledge Life Cycle

Source: Reprinted from J. Birkinshaw and I. Sheehan, "Managing the Knowledge Life Cycle," *MIT Sloan Management Review*, Fall 2002, pp.75-83, by permission of publisher. Copyright © 2002 by Massachusetts Institute of Technology. All rights reserved.



solidify an idea to the point where its commercial viability can be tested. To create knowledge at this stage, companies need to create an environment of ongoing experimentation and creativity within some structure and discipline. They also need to be allowed to make mistakes, as discussed in Practical Insight 8.2.

In the *mobilization* stage, knowledge in organizations continues to be defined and redefined as its use becomes more apparent. Companies that have developed a competitive advantage tend to extract value from it. Mobilization is the process of circulating the signals of newly emergent knowledge in the internal organization. It also includes the acquisition of knowledge from outsiders and keeping it proprietary. Acquisition of patent rights is a good example of this stage.

In *diffusing* the knowledge, the company no longer tries to keep the knowledge new technology under its continuous vigil. In fact, senior managers accept that leakage and imitation are bound to occur. They also invite other companies to join the bandwagon, actively selling the knowledge to a broad base of customers. Marketing the concept through various media. Many knowledge-based service companies, such as McKinsey and Company and Booz, Allen, and Hamilton, appear to have significantly by moving their ideas rapidly into the diffusion stage. In the case of computer software, diffusing the product has the effect of building a client base and a network of users, and preempting competitors.

The last stage, *commoditization*, is about how to manage knowledge that has passed through the three previous stages and is already well known. Some companies hold the view that once knowledge is widely understood, nothing more can be done. They tend to move on to other interesting ideas. However, we should remember that international managers have a lot to gain from exploiting opportunities and extracting value from knowledge that has reached the status of a commodity. A good example is baking soda. For many years, it was a product used only in baking. It has since been rejuvenated as a toothpaste additive, a refrigerator freshener, a sink cleaner, and a trash can deodorizer. Commoditized knowledge will not last forever. Consider an engineering firm that specializes in the construction of skyscrapers. While the knowledge required to build the skyscrapers has been known for a long time, the September 11, 2001, may mean that the old principles of structural engineering, which have been considered to be a commodity, will have to be revised.

Managing the knowledge life cycle is important for companies that function in the domestic context of any country. However, it becomes more important for national and global companies because the centers of knowledge creation are not necessarily located in a single geographic place. Continuous interchange is necessary