Forget IP. Mine Strategic Knowledge Instead

by Martin Ihrig, Max Boisot, and Ian MacMillan | 12:03 PM May 6, 2011

While seeking intellectual property rights (IPR) is entirely appropriate for your well-structured knowledge, putting serious effort into mapping the deep, implicit knowledge within your organization can prove equally valuable.

Exploiting this deep knowledge entails mapping the know-how usually just carried in the heads of individual employees, or by groups of your employees working together, in tacit, interpersonal organizational routines. To pursue IPR entails structuring and documenting knowledge, and the irony is that this very structuring allows diffusion to other firms who get access to it and either work around the IPR or eventually imitate it. Once that knowledge diffuses, IPR protection is disrupted.

Hence the paradox: by structuring knowledge, to make it patentable, you potentially increase its commercial value, but by simultaneously making it more vulnerable to diffusion, you decrease its scarcity value.

So IPR protection at best secures temporary control over the diffusion of knowledge; and this IPR protection is also getting ever more fragile because it is increasingly hard and costlier to monitor, to enforce and to secure. Since knowledge assets do not exist in isolation from one another, a powerful strategic opportunity lies in binding your tacit knowledge assets to your structured knowledge. You can then deliberately diffuse the structured knowledge assets to other firms, extracting revenues from their connectedness to tacit knowledge.

Your ownership of the resulting unique knowledge network generates the rent. Indeed, the more others use those of your assets that are highly interconnected, the higher the profit potential! For example, Adobe keeps secret its source code for the Acrobat Suite, but shares its Reader with millions of users, thereby making PDFs commonplace; McKinsey recruits the brightest MBAs and invests heavily in building their technical and team skill-sets, then shares selected insights through McKinsey Quarterly, generating a demand for McKinsey's network of proprietary problem-solving skills.

To pursue a knowledge network strategy, you have to first map your critical knowledge assets, then decide how to deploy them strategically. Which will you hold on to as deep, tacit insights, which will you develop, protect and legally enforce, and which will you proactively share? Strategic knowledge mapping helps you decide which knowledge assets to share, and then how to connect these shared assets with the tacit knowledge only you possess.
Mapping knowledge assets according to how structured and how diffused they are is the basis for developing a powerful knowledge-directed strategy based on strategic combinations among the quadrants we introduced in our last post:

**Bottom left:** In this quadrant lie the company's core competencies. This bounded, firm-specific, tacit knowledge is the most important component in your knowledge network. You need to know what is emerging from tacit deep insights and be able to direct its structural development. It can be challenging but very rewarding to uncover this hidden potential and to think about how to connect your tacit knowledge to other assets, and then cash in on the resulting knowledge network shared with others.

**Top right:** How do you combine the core competency region in the bottom left quadrant with industry-wide principles in this top right quadrant in ways that generate revenues from your unique ability to create such combinations? Could you, like Goldman Sachs, draw off your deep team capabilities to generate new investment banking offerings to firms competing for capital in the public markets?

**Bottom right:** These are the emerging trickles of insight that become sources of future knowledge advantage. Because they did not map, identify and accelerate them proactively, firms are often surprised by their emergence, or miss their profit potential entirely. Formal processes to encourage and identify emergent insights have added greatly to the successes of Apple and Google among others.

**Top left:** This is the basis for your current rent stream. However, IPR protection is not solid and knowledge-based rivalry is getting ever more intense (witness the digitization
of the music business). The decision needs to be made as to which of the current
patents and copyrights you own should be deliberately spun off to others, preferably
with a revenue-generating asset attached that only you possess, as illustrated by
Coke's secret syrup formula and Microsoft's source code.

Obsession with legally owning your knowledge pays off only if you can monitor and
enforce the IPR. As this becomes less tenable, what ultimately drives competitive
performance is your possession of deep, tacit knowledge. Strategic knowledge mapping
enables strategists to explicitly identify, construct and exploit valuable knowledge
networks that generate rents from insightfully combining your tacit assets with
knowledge that is more structured and diffused.

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