Differentiated knowledge

As information is shared globally and insight is commoditised, the best returns go to those who can produce non-standard, differentiated knowledge.

In his recent books *The World is Flat* and *Hot, Flat and Crowded*, Thomas Friedman, *New York Times* columnist and three-time Pulitzer Prize winner, did an excellent job of sharing how the flattened world of the past decade has been driven by quicker and easier knowledge sharing. Through his multiple examples from India and China, in particular, he highlighted how the alignment of increasing globalisation, high-speed internet connections and new business models all helped the likes of Infosys, Wipro and Tata to become knowledge engines. As outsourcing of call-centres to lower cost economies merged with offshoring of key data-intensive tasks to a similar group of countries, know-how was steadily transferred from the developed to the developing world.

As Harvard's Clayton Christensen, author of numerous books on disruptive innovation, has also highlighted through his stories about the changes in the PC industry, outsourcing drives knowledge sharing and value creation. He focused on the way in which US computer companies such as Compaq and Dell shifted parts manufacture, then assembly and then, finally, design to China and Taiwan. As a result, he shows how the likes of Acer, Lenovo and HTC were able to build up their expertise to a point where they themselves have now become the new incumbent competition and the world's leading brands.

Today, the fast-growth economies are no longer fast-followers but have become global centres of excellence in their own right. Microsoft's lab in Beijing is one of its most advanced in the world; Infosys designs engines for GM and wings for Airbus; and much of the pharmaceutical industry is shifting capability to China and India. Meanwhile, the old economies are finding it more and more difficult to keep pace. New knowledge creation has therefore been the common focus for many and the idea of building knowledge economies has been the policy reactions of many countries which have seen their value-creating manufacturing capabilities disappear.

In the UK, the Work Foundation recently published a report on 'Innovation, Creativity and Entrepreneurship in 2020', which, in headline, argues that:

"To achieve recovery, Britain has no choice but to create a balanced and sustainable knowledge economy by 2020 and therefore must devise new ways of intervention to achieve change. The quest is on for policy levers that can deliver changed behaviour as effectively but more cheaply."

The fast-growth economies are no longer fast-followers but have become global centres of excellence in their own right.

As the half-life of knowledge continues to shrink, 2020 will see greater commoditisation of knowledge.

As such, to build new knowledge, universities around the world have been increasing their status as knowledge hubs. But just as many institutions have been trying to create exclusive content. Leaders such as MIT, for instance, have put all their course materials online free of charge through the OpenCourseWare platform. So, how can others compete?

The future challenge here is that for any knowledge economy to really work, it is a matter of both scale and differentiation. In the initial point of view on the future of work, Chris Meyer argued the case that 'as the half-life of knowledge continues to shrink, 2020 will see greater commoditisation of knowledge'. He sees that, over the next decade, 'the industrialization of information work is certain, and will affect pretty much every business'. Add into the mix a massive imbalance between the US and China in terms of graduates and the US and India in terms of engineers and it is easy to see a one-way shift taking place.

A fundamental issue embedded in this topic is the end of intellectual property (IP). Although this has been on the cards in some sectors for several years, it has now become a more widespread concern. Just as IP in the music and education industries has been challenged by new business models, many see that regulation will fail to keep up with digital collaborative platforms for innovation. With the growth of the creative commons and open source movements, core components of corporate and institutional knowledge will increasingly be shared without restriction and, in the eyes of some, result in the further decline of copyright and weaker patents. As Chris Meyer asked at the start of the programme: 'if IT has reduced the marginal cost of IP to essentially zero, how will incentives for creative work change to recognise these two powerful economic shifts? Will the open innovation movement evolve to a point where know-how and capability rather than pure IP in the traditional sense is the currency? If so, how will organisations monetise collaboration?' An increasing selection of commentators are predicting that commoditised knowledge may even slow down innovation.

However, there is an alternative view – that of creating differentiated commoditised knowledge. Gary Hamel recently commented that 'in a world of commoditised knowledge, the returns go to the companies who can produce non-standard knowledge'. Apple, fiercely protective of its IP, is often cited as a company whose sales and margins are both a reflection of its unique knowledge and know-how. While clear at a company level, the story is less strong at a national level: this view suggests that at a large/global scale, the competition is on to be the differentiated sources of insight. At a national economy scale, where one cannot have everyone producing non-standard knowledge, the challenge is more about speed and efficiency of knowledge development and sharing at a broader scale.

Furthermore, another recent development adds complexity to the argument. Companies like San Francisco-based Maven Research or GLG Group are scaling up and positioning themselves as intermediaries for sharing of expertise – namely, differentiated commoditised knowledge.

"Maven is the Global Knowledge Marketplace. We connect knowledge seekers with knowledgeable individuals for the rapid exchange of expertise, perspective, and opinion. Our Members ('Mavens') include individuals from all professional backgrounds, geographies, and functional roles. Mavens are paid to participate in short telephone consultations and custom surveys conducted by other professionals who seek to learn from their knowledge."

So, here is a development that is further seeking to commoditise knowledge by connecting individuals within companies, academia, governments – in fact, anyone with insight – to people and organisations prepared to pay for that insight. It is early days for Maven but, in principle, this is a good disruption to the knowledge-based consulting and research sectors that erodes differentiation. What are the implications for the future as more programmes such as Maven ramp up and begin to have a major impact, especially in fast-developing knowledge economies? Probably more specialisation of knowledge within boutique consulting companies where it is more about what you do with the insight rather than the accessing of it; probably faster migration up the scale from novice to expert; and possibly further erosion of developing countries' lead in key areas as the channels for personally profitable dissemination of know-how override the economically significant retention and development of non-standard knowledge.

It is clear that, by 2020, the knowledge creators will be a significantly different set than they were in 2000.

With the evident rebalancing of economic power – and, with it, associated expertise – it is clear that, by 2020, the knowledge creators will be a significantly different set than they were in 2000. Be they individuals, companies or countries, those that rise above the melee will, in their own ways, have worked out not only how to create non-standard knowledge that others value, but they will have also been able to sustain this so that it continues to be differentiated. They may well have moved beyond the IP frameworks designed to protect ideas to operate in a truly open network of information exchange where IP is not the essential tradable asset. The winners in 2020 will be the ones that manage the delicate balance of new knowledge creation and global sharing in a way in which, even if there is less formal protection available for intellectual property, the value of the know-how is in itself not given away.

Related insights

Page 193

Page 197