

A Dynamic Model of Knowledge Mobilization between Firm's External and Internal Environments and the Creation of New Knowledge for Innovation

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Abstract

Firm's ability to mobilize knowledge between its external¹ and internal environments and create knowledge for innovation that meets the demands of the market is crucial for competitive advantage (Helfat and Raubitschek, 2000; Winter, 2000; Eisenhardt and Martin, 2000). This idea is related to concepts of dynamic capabilities (Teece, Pisano, and Shuen, 2000), combinative capability (Kogut and Zander, 1992), and core competence (Prahalad and Hamel, 1990) of the firm. Despite the importance of knowledge mobilization between firm's external and internal environments and creation of innovation, the empirical analyses of the processes by which companies accomplish this are limited. We still do not know how market knowledge about products and services of the firm are mobilized into the organization and link that with the internal knowledge and activities to generate the innovation that meets the demands of the external environment. Therefore, the research question in this paper is, How do organizations mobilize knowledge between their external and internal environments and create knowledge for innovation that meets the demands of these markets?

The empirical analysis reveals that there are three stages to knowledge mobilization between the external and internal environments of the firm and creation of innovation. Moreover, these three stages are interdependent and interactive of each other. First, top and middle management continuously scan and evaluate market performance of products as it is tied to their compensation. It is difficult and almost impossible for lower-level employees in a given

¹ In this paper, external environment is referred to the external markets in which firms sell their products.

function to generate an innovation alone as they require knowledge and skills from different functions, going from ideas to products to putting it on the market that meets the demands of the market place. Second, communication or knowledge sharing between external (e.g., customers, sales forces, independent marketing research companies) and internal linkages (R&D, manufacturing, sales/marketing) of the main customer service organization is crucial. The department heads of each function select or solicit volunteers with relevant knowledge and experiences from their respective departments to share their knowledge to create new knowledge for innovation. Third, the success of knowledge mobilization between the external and internal environments and creation of innovation also depends not only project team members' motivation to share their knowledge and expertise, but also their ability to absorb the knowledge being shared and transform that into an innovation. This process is done through extensive meetings to brainstorm root causes of under performance in the market and hypothesize solutions, new knowledge, to generate the innovation that better perform in the market place. The main implication is that in order to understand a firm's ability to mobilize knowledge between its external and internal environments and creation of innovation that continuously satisfies the demands of the market, the whole process and actors involved need to be analyzed simultaneously. [452]

Key words: Knowledge mobilization, Creation, Internal and external environments, Innovation

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