

THE IMPORTANCE OF TACIT KNOWLEDGE WITHIN THE ORGANIZATION

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The purpose of this article is to understand what is tacit knowledge supported by Polanyi's definition "we know more than we can tell". Tacit knowledge is a concept developed in connection with knowledge management field of research. Tacit knowledge represents personal knowledge obtained as a result of the direct interaction between individuals and their environment. It contains also intuitions, feelings, hunches, talent and many other forms of knowledge which are non-rational. Tacit knowledge represents an excellent reservoir of intangible resources from which the organizations can gain a major competitive advantage.

Keywords: tacit knowledge, explicit knowledge, competitive advantage

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Introduction

Throughout the history capital, raw material and labor have been considered the main source for creating and applying knowledge. The new trends in informational age, the development of knowledge management has changed that belief. Knowledge has become the key economic resource and the dominant source of competitive advantage. Knowledge has become the core element of every activity in our society. Workers who lack the adequate education and training, or skills struggle to survive in a society whose emphasize has become knowledge. The management has become aware of the importance of valuable human and knowledge resources, this is why they intensify their efforts in gathering, sorting and sharing knowledge. Creative people that are eager to apply their knowledge are the requisites for a company's success. In a 2000 survey (Bonner, 2000), scientist have realized that more than 90 percent of the knowledge in organizations is embedded in their employee's heads. This is the tacit knowledge, the invisible line item in corporate budgets (Smith, 2001).

Knowledge management is a formal, directed process of determining what information a company has that could benefit others in the company and then devising ways to making it easily available (Liss, 1999). Maybe the best characterization of knowledge management is that it reuses company's resources to help people seek out best practices in order to not reinvent the wheel and hence the increasing importance of the field in the recent years.

Over the years there have been many debates concerning the distinction between knowledge and information, the main elements knowledge management works with. "Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information" (Davenport and Prusak, 1998). Knowledge is a human, personal asset. Information has little value until it is given meaning or used on the job, the raising levels of competences (Pascarella cited by Smith, 2001). Nowadays the challenge is to move beyond knowledge to wisdom, which the scientists consider to be very close related to tacit knowledge.

In 1966, Polanyi draws the attention on the fact that people have more kinds of knowledge. People possess different types of tacit and explicit knowledge and apply it in different, unique ways.

Tacit knowledge

Tacit knowledge is relatively hard to code and extract. Tacit knowledge is probably the most important part of knowledge management and it doesn't solely need to be discovered, captured but it has to be, also, disseminated so that more and more people can benefit from this shared knowledge.

Tacit knowledge can be defined as "work related practical knowledge learned informally on the job" (Wagner and Sternberg, 1985). But, unfortunately, this definition is not complete because it comprises only one part of what tacit knowledge really is, only the how-how. Tacit knowledge is not just about experiences learned on the job, it also comprises beliefs, values, attitudes, ideals, and elements that are related to the culture of the individual. For example, the artisans cannot explain how they know the exact sequence of actions they do in order to make the finite product. Over time they have learned such tacit skills and this cannot be described by a process chart or in words. These skills have been learned by apprentices by observation and imitation, after several years spent with the master.

Tacit knowledge may be best understood using Polanyi's (1966) words "we know more that we can tell". If people are asked to write down a process or a workflow this observation is quickly verified. If asked how to drive a car most people cannot fully explain how they accomplish this everyday task. Tacit knowledge is the one that cannot be found in manuals, books, databases and files. People use metaphors, analogies, demonstrations and stories to convey their tacit knowledge. Listeners can evaluate the content of the story and the actions and apply the knowledge that is best suited for their job.

Tacit knowledge is much easier to understand and to remember than explicit knowledge. Almost two thirds of the information received at work is transformed into tacit knowledge and this comes mostly from face to face conversations such as informal conversations, stories, mentoring, internships and apprenticeships. Creative conversations occur when people exchange ideas in a free and open environment.

Most of the tacit knowledge is acquired from experience, which is able to help to a better understanding of the present situations. For example, you buy a cookbook in order to learn to bake bread, the book gives you the recipes, the ingredients, the techniques and all the rest but unfortunately it does not give you the feeling of the dough properly kneaded. It only tells you to bake it for five minutes or until it becomes elastic. To know how the dough should look like when is properly kneaded you need the help of a chef. Experienced people are extremely valuable to a company because of the perspective that they have earned to view the situation, an ability that most of the newcomers never have.

Tacit knowledge's characteristics are examined in the next section as depicted by Johnson (2007):

- *Personal knowledge.* Tacit knowledge is part of an individual's understanding and it is tied to other personal understandings and it can also be shared with others, which hold similar tacit knowledge. This shared tacit knowledge is often conceptualized as being organizational knowledge (Nonaka and Takeuchi, 1995) but in essence it has personal roots.

- *Tacit qualities.* As its name suggests tacit knowledge is tacit. This characteristic is related to the fact that tacit knowledge constitutes knowledge that is unarticulated, implicit. Also, when talking about the tacit qualities of tacit knowledge we also have to take into consideration the subconscious nature of tacit knowledge.

- *Path dependency.* Tacit knowledge depends on personal experience. The accumulation of tacit knowledge requires time, but its usage depends on the propensity to utilize intuition.

- *Context dependency.* This characteristic is closely related to the path dependency, but context is more related to a place, a destination.

- *Embeddedness.* As previously discussed tacit knowledge has an embedded nature. Skills like playing the piano or riding a bike are only learned by practice. The tacit knowledge of an expert can be passed on through apprenticeship. For example, piano playing can be passed on from the expert to the apprentice via co-practice. This means that the apprentice uses both observation and mimetic behavior.

Tacit knowledge is personal, context-specific knowledge that is difficult to record, articulate; it is stored in the heads of the people. The tacit knowledge is mainly acquired through a process of trial and error encountered in practice, it can be felt and understood but it cannot be easily expressed. Explicit knowledge is that knowledge that can be easily codified and passed on in a systematic or formal language.

Contrary to tacit knowledge, explicit knowledge is technical data or information which can be described in formal language (manuals, expressions, patents and copyright). It is the "know-what". Explicit knowledge is carefully codified, stored in databases and accessed with reliability, fast. Explicit knowledge assets can be reused to solve many types of problems or connect with people who have valuable reusable knowledge.

Sharing, creating tacit knowledge

Some scientists believe that explicit knowledge cannot be converted into tacit knowledge. Opposing views say that tacit knowledge, skills can be converted to explicit knowledge through observation and verbal protocols. Nonaka (1991) created a spiral of knowledge, where four patterns are used for transforming knowledge in organizations:

1. *Tacit to tacit: Socialization:* Using this mode the individual acquires tacit knowledge from another person through observation, imitation, and practice. They do not use language as the main channel of distribution. Communities of practice, collective or organizational memory are all phenomena that have been studied as best practice of the circulation of tacit knowledge.

2. *Tacit to explicit: Externalization:* This mode is realized daily in an organization, due to institutionalization of tacit rules as internal regulations. Rumors that circulate tacitly can become hard fact. The emergence of organizational strategies is a phenomenon of the articulation of collective tacit knowledge into an explicit formulation embracing a plan, actions and tactics. (Baumard, 2001).

3. *Explicit to explicit: Combination:* Individuals exchange and combine their knowledge through mechanisms such as telephone conversations. The combination of existent information can be facilitated by the selection, adding, grading, and categorization of explicit knowledge (Nonaka, 1992).

4. *Explicit to tacit: Internalization:* To understand this mode the best method used is that of a practical example. Prisoners have the explicit knowledge of the surveillance tower. They recognize the possibility that they are being watched at any given moment, but they do not know exactly the moment when the guardian is looking or not. The prisoners "internalize" the knowledge and turn it into tacit knowledge; they know tacitly that they may be watched at any given time and they accept the possibility (Baumard, 2001).

It is very easy to transform explicit knowledge into tacit knowledge when people cooperate, when they trust each other and share their knowledge willingly. Cooperation, trust, sharing occur when people who add to and use databases are recognized and awarded for sharing their knowledge. But in order to encourage employees to share their tacit and explicit knowledge organizations and more exactly the management has to develop fair, equitable

reward systems for those who share their knowledge. Employees must be rewarded and encouraged to share their tacit knowledge to write their personal stories, to document their insights and use photos to show how to solve a difficult problem or to improve the existing work processes.

In order to facilitate the sharing, codifying and collection of knowledge technology plays an important role. For this, it is important to have a strong information technology to design and implement the systematic storage and dissemination of information. The management has to take into consideration that information technology is only an enabler, but by itself will not extract anything out of people's head.

Knowledge sharing, capture and reuse

Knowledge capture and reuse is the process that ensures that the projects are able to make best use of available knowledge and in turn capture relevant learnings and examples for subsequent projects. It is concerned with identifying and using knowledge that could be reused, to make selling and delivery of the project more effective, and with identifying and making available that knowledge that should be captured for future engagements. Knowledge capture and reuse is a key enabler for effective project management. Knowledge reuse allows projects to take advantage of previous experience, to minimize the risk of repeating mistakes, and to leverage existing materials to allow deliverables to be produced more efficiently, all at a relatively low cost to the project.

Tacit knowledge is acquired through learning, knowledge fairs, learning communities, job rotation, stories, myths, and study missions. The people who have the experience teach the less experienced ones their tacit knowledge by "showing them the ropes" (Smith, 2001).

Nowadays maybe the most common way to capture and share knowledge is through *communities of practice*. A community of practice is a natural grouping of people who share and focus on a specific knowledge domain or topic, with the objective to create, expand and exchange knowledge, and to develop individual and organizational capabilities. The origin of these communities of practice is in the Greece "corporations" of metalworkers, masons and craftsmen. They gradually evolved into guilds that maintained standards to protect the interests of their members.

Members of these communities of practice develop group knowledge and generate assets by transferring knowledge and stimulating innovation. Members of communities of interest build knowledge for the company and for themselves through informal communication and contact. (Tobin cited by Smith, 2001).

Conclusion

An organization is what it knows. What it knows it gets from its learning (Bonner, 2000). The strength and importance of tacit knowledge is that it is often very difficult for competitors to imitate it and, therefore, to be transferred. Organizations that use and recognize the employees' wealth of tacit and explicit knowledge achieve a competitive advantage. More and more organizations become aware of the importance of the employee and more exactly of the importance of the tacit knowledge that the employee possesses. This is why the management of every company has to find the right motivational system to make its employees capture, reuse and share their knowledge, thus avoiding mistakes, losing time and profits and increasing the advantage in front of the competitors.

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