Mismanagement of tacit knowledge: the importance of tacit knowledge, the danger of information technology, and what to do about it

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Abstract

Businesses are increasingly finding themselves in a world characterized by globalization, turbulence and complexity, paralleled with an exponential advancement in information technology (IT). Although empirical evidence indicates a lack of support for the positive economic impact of IT, we have seen that companies increasingly invest in the new technology. As this technology is limited to the transfer of explicit knowledge, this may relegate tacit knowledge to the background, in spite of the strategic importance of tacit knowledge, hence, leading to the mismanagement of knowledge. The problem stated in this article is as follows: How does investment in, and the use of IT influence tacit knowledge and what impact does this have on the ability of firms’ to create sustainable competitive advantages? The purpose of the article is to improve our understanding of the role of tacit knowledge and to reflect on and give guidance on how to handle the relationship between tacit knowledge and IT. © 2001 Published by Elsevier Science Ltd.

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1. Introduction

Business are increasingly finding themselves in a world characterized by globalization, turbulence and complexity, paralleled with an exponential advancement in information and communication technology, denoted in its extreme form as hypercompetition (D’aveni, 1994). Within this picture, signifying the transition from an industrial society to a knowledge-based society, we have witnessed an increasing focus on knowledge as the most important resource for companies.
Drucker (1993) postulates that knowledge, as an input resource will have a greater impact than physical capital in the future. This has also been underlined by Quinn, Anderson, and Finkelstein (1996); Thurow (1997); Sveiby (1997); Solow (1997) and Stewart (1997). Grant (1996) argues that as the market for knowledge resources experiences the same dynamic competitive conditions as is the case within the product markets, knowledge has appeared as the most strategically important resource for companies. We have also seen an increased emphasis on innovation as paramount in creating and sustaining competitive advantages (e.g. Freeman, 1995; Landabaso, 1995). The pace and magnitude of this development are changing the rules of the game (Spender & Grant, 1996; Sveiby, 1997) and the challenge is to find new recipes for increasing firms continuous improvements, innovation and performance, so as to create sustainable competitive advantages. The focus on knowledge has lead to increased attention towards information technology (IT) as one of the most important sources of competitive advantages (European Commission, 1996). Although empirical evidence indicates a lack of support for the positive economic impact, we have seen that companies increasingly invest in IT. As this technology is limited to the transfer of explicit (codifiable) knowledge (Antonelli, 1997), our concern is that this may relegate tacit knowledge (Polanyi, 1962, 1966) to the background, in spite of this knowledge being emphasized by the literature as an important strategic resource for most companies (Black & Boal, 1994; Gøranzon, 1993; Gøranzon & Florin, 1990; Howells, 1996; Nonaka & Takeuchi, 1995). Hence, leading to the mismanagement of knowledge.

The problem stated in this article is as follows: How does investment in, and the use of information technology influence tacit knowledge and what impact does this have on the ability of firms to create sustainable competitive advantages? The purpose of the article is to improve our understanding of the role of tacit knowledge in a knowledge-based society where IT gains access to many social areas, and also to reflect on and give guidance on how to handle the relationship between tacit knowledge, IT, continuous improvements, innovation, performance, and sustainable competitive advantages. The remainder of the paper is divided into three parts. First, we develop a conceptual model based on a discussion of the importance of knowledge and the consequences of IT investments. The model presents us with the puzzle of handling both explicit and tacit knowledge. For better understanding the puzzle, and what to do about it, a revised model explaining the role of tacit and explicit knowledge in creating sustainable competitive advantages is then presented. Finally, in the conclusion we present a number of suggestions for how to overcome the mismanagement of knowledge.

2. Developing the conceptual model: information technology and the mismanagement of tacit knowledge

Knowledge can be categorized in two different categories: explicit and tacit knowledge (Nonaka & Takeuchi, 1995). Explicit knowledge can relatively easily be formulated by means of symbols and can be digitalized. This knowledge can thus with relative ease be transferred to others by e.g. the use of information technology. Tacit knowledge (Polanyi, 1962, 1966) is entrained in action (practice) and is linked to concrete contexts (Rolf, 1995; Molander, 1993; Gøranzon, 1993; Schön, 1987). This knowledge is difficult to communicate to others as information, and can at best be difficult to digitalize. Tacit knowledge is defined by Howells (1996, p. 92) as: “non-codified, disembodied
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