



Leveraging tacit knowledge in alliances: The importance of using relational capabilities to build and leverage relational capital

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Abstract

Effectively managing existing tacit knowledge stocks and transferring knowledge between partners contributes to firm capabilities that allow them to differentiate their goods and services from those of their competitors. Because it also helps them to provide greater value to customers, it contributes to the development of a competitive advantage. In highly competitive industries, firms need to focus on proactively managing their knowledge resources to ensure survival. However, the knowledge management process is at times complex especially because of the difficulty involved in conveying tacit knowledge. Due to its latent potential for enabling firms to achieve potential competitive advantage, how firms utilize and transfer stocks of tacit knowledge requires enhanced understanding. In specific, we explain how firms use relational capabilities to build relational capital with partners. In turn, relational capital facilitates the transfer of tacit knowledge between collaborating partners. We develop several propositions regarding the factors likely to influence the transfer of a firm's tacit knowledge resources in strategic alliances. The importance of social capital's relational dimension, relational capital, in this process is highlighted.

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1. Introduction

A critical challenge for most firms regardless of their age, size or industry is how to achieve and sustain competitive advantage. Regardless of economic conditions, competitive dynamics or

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the current state of technology, firms can meet this challenge by managing their knowledge repertoires; to do so effectively requires that they focus on building and diffusing knowledge. Knowledge transfers within the firm and between partner firms have become increasingly important with increasing globalization and competition based on knowledge. Although knowledge transfer within the firm and between firms is now one of the most basic functions performed by all companies, successful transfer remains a significant challenge about which we require a greater understanding. Social capital can enhance firms' knowledge transfer processes thereby increasing the success of such transfers. In particular, social capital-based relational capabilities complement the capability to effectively transfer tacit knowledge stocks. Such a combination of capabilities has noteworthy potential for contributing to a competitive advantage. Therefore, we emphasize the importance of relational capital for transferring tacit knowledge in strategic alliances.

The purpose of this work is two-fold. First, it focuses on tacit knowledge as a potential advantage-creating resource in increasingly competitive knowledge-based environments. Second, it responds to [Kostova and Roth's \(2003\)](#) call for greater clarity regarding social capital's potential to influence firm-level strategic actions and outcomes. Managing knowledge stocks are a foremost task facing firms in a knowledge-driven economy. Given the potential of tacit knowledge to aid in the creation of firm-level competitive advantage, we examine the link between relational capabilities (relational capital) and tacit knowledge transfer. The transfer of explicit knowledge is obviously important for knowledge-based firms, but even greater latent value is often found in managing tacit knowledge resources.

Firms that recognize the challenges to transferring tacit knowledge must take steps to alleviate the hurdles to effective transfer. By doing so, they can develop expertise in knowledge transfer, develop a source of competitive advantage and ultimately improve the organization's performance. Whereas existing research suggests that knowledge transfer is facilitated by repeated interaction among partnering firms ([Lane and Lubatkin, 1998](#); [Zahra et al., 2000](#)), we explore the need for firms to recognize the importance of inter-personal dynamics involved in the transfer of tacit knowledge. Building relational capital involves development of trust, information sharing and joint problem solving ([Uzzi, 1997](#)). The inherently complex process of transferring tacit knowledge requires greater attention to the relational dimension of social capital than does transferring other forms of knowledge. In particular, tacit knowledge transfer requires greater trust between partners than does explicit knowledge transfer. In contexts where partner firms face the additional challenge of cultural dissimilarity, and partners lack a common understanding of non-explicit information, an even greater emphasis on the development of trust is necessary in order to promote information sharing and joint problem solving ([Hitt et al., 2006](#)).

In the following section we briefly highlight the importance of leveraging tacit knowledge stocks in the development of competitive advantage within the context of strategic alliances. This is followed by a concise review of existing research distinguishing explicit and tacit knowledge. We subsequently relate the discussion of tacit knowledge to inter-firm collaborations, an increasingly common strategy among firms. We also provide a detailed discussion of social capital and its relational dimension, relational capital, and their potential value to enhance the ability of firms to effectively utilize tacit knowledge stocks within firm-to-firm partnerships. We augment our arguments with several cases that illustrate the challenges of effectively utilizing tacit knowledge within partnerships and potential approaches for overcoming these challenges.

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