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## Determining the Critical Factors of Tacit Knowledge in Service Industry in Turkey

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### Abstract

Tacit knowledge is considered as a strategic factor in knowledge management implementation. Accordingly, it attracts significant attention both from researchers and academicians. Managing tacit knowledge effectively and efficiently is becoming a key success factor for organizations. To gain competitive advantage by using tacit knowledge, tacit knowledge should be understood well. Determining critical factors of tacit knowledge is expected to be helpful. The critical factors of tacit knowledge are one of the challenging issues in knowledge management. This paper aims to analyze critical factors of tacit knowledge based survey data. The survey of this study is conducted on composed of 30 companies from different sectors within service industry in Turkey. The obtained data from the surveys is analyzed through the SPSS statistical packaged software. Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) show that tacit knowledge was divided into four factors, namely individual/personal knowledge, managerial knowledge, expertise knowledge, and collective knowledge.

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### 1. Introduction

Knowledge and the capacity to create and utilize knowledge are seen as the center of global economic transformation (Kakabadse et al., 2003). They are also the most important source of wealth and the key to gain

sustainable competitive advantage and superior profitability for organizations (Von Krogh et al., 2001). For instance Eren et al. (2000) emphasized the role of internal and external knowledge sources in strategic planning in large firms. As for the superior organizational performance in dynamic markets collecting data about customers, competitors and suppliers is very critical (Alpkan et al. 2003). The view that knowledge is a valuable resource that has to be managed effectively and efficiently has become widely recognized by academicians and practitioners (Pathirage et al., 2007) and recent studies have expressed considerable interest in knowledge management practices accordingly (Hicks et al., 2007). Together with the increasing interest in knowledge and its management, the concept of tacit knowledge has been dealt with within many disciplines and by many authors. Yet, it is still considered as being relatively unexplored and not fully understood. It has been suggested that the tacit dimension of knowledge is probably the hardest to manage even though it has become more relevant to improving business performance and is perceived as a crucial factor affecting an organization's ability to remain competitive (Pathirage et al., 2007).

Despite the widely recognized importance of tacit knowledge as a vital source of competitive advantage, there are comparatively less studies that have been able to establish a causal relationship between tacit knowledge and organizational performance (Marques and Simon, 2006). To reveal the dimensions of tacit knowledge remains as a challenging issue in understanding tacit knowledge well and exploring tacit knowledge effect in organizations for future studies. This paper aims to constitute a framework that reflects the main dimensions of tacit knowledge based on data collected from companies operating in service sector in Turkey. The rest of this paper is structured as follows: the second section briefly presents an overview of the tacit knowledge literature. In the third section research methodology is presented. Data analysis and results are discussed in the fourth section. Conclusions are provided at the end.

## **2. Literature Review**

### *2.1. Knowledge Management*

Knowledge is one of the most valuable sources in the processes. In a dynamic world, managing this source becomes more important day by day. Knowledge management creates and disseminates information and knowledge, provides an efficient and effective use of knowledge in order to have strategic advantage for organizations (Nawaz et al., 2014). Knowledge management appears as the main organizational strategy. It helps to create new business processes to achieve superior organizational performance (Wu and Chen, 2014). According to Liebowitz and Beckman "Knowledge management is the systematic, explicit and deliberate building, renewal and application of knowledge to maximize an enterprise's knowledge-related effectiveness and returns from its knowledge assets." Beckman also defines knowledge management as "the formalization of and access to experience, knowledge and expertise that create new capabilities, enable superior performance, encourage innovation and enhance customer value." (Lytras, Pouloudi and Poulymenakou, 2002).

In the knowledge management literature, knowledge is divided into two concepts which are tacit knowledge and explicit knowledge. There is an interaction between them which helps to create new ideas. Although, there are studies that classify knowledge as individual or group, practical or theoretical, hard and soft, internal and external, foreground and background, the classification of tacit and explicit remains as the most common and practical one (Pathirage, 2007; Nonaka, 1994). Tacit knowledge is the less familiar, unconventional form of knowledge. It is the knowledge of which we are not conscious (Alwis and Hartmann, 2008). The concept of "tacit knowledge" is very important for the organizational knowledge and includes knowledge which is unarticulated and tied to the senses, movement skills, physical experiences, intuition, or implicit rules of thumb. Tacit knowledge differs from "explicit knowledge" which is uttered and captured in drawings and writing (Nonaka and von Krogh, 2009). Consequently, explicit knowledge usually comes in the form of books, documents, papers, databases, and policy manuals (O'Dell and Grayson, 1998) and tacit knowledge, contrastively, can be found in the heads of employees involving such intangible factors as personal belief, perspective, instinct and values (Baumard, 2002). From the organizational point of view explicit knowledge is transmittable in formal, systematic language; and can be conceptualized and stored in information systems whereas tacit knowledge is embedded in organizational culture, group behaviors and collective understanding (Borges, 2013).

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