## **Tacit Knowledge**

(Buying a business or running one – you need to care about it)

Knowledge is a key business asset and the acquisition, preservation and sharing of that knowledge defines a business's success, if you think about it acquiring a business without the knowledge to find and then service customers profitably means that there is nothing worth

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paying for, buildings full of office furniture and machines. There is more than one sort of knowledge however and whilst *Explicit* 



knowledge is easy to acquire and manage Tacit knowledge is just the opposite.

Explicit knowledge is written down and embodied in processes, procedures and software, you can put your hands on it, you can duplicate it and you can disseminate it. We are taught explicit knowledge in company training and at universities... facts. Tacit knowledge on the other hand is much harder to write down, it's about how you use the facts to achieve your goals, knowing what to do with information and very often in our sector where formality

and recording information scrupulously are less common it's also 'what's in Fred's head' the knowledge of the history and circumstances behind current events (why is that customer so upset about such a small issue). Tacit knowledge is often explained by citing our ability to recognise faces, humans are particularly good at it but how would you pass on the knowledge that allows a good salesperson to recognise a person that comes on to your stand at Fit Show and understand the threat or opportunity of such a visit to an alien that didn't have that ability to recognise faces?

Tacit knowledge as well as being a huge asset to a company is also a threat, in acquisitions for example, a hot topic in our sector at the minute, you see the disregard for Tacit knowledge that some purely financial investors display. The cheque is written and the entrepreneurial owner heads off for the hills along with the senior management he has around him, who don't have degrees but do have huge experience and Tacit knowledge but whom the investor sees as 'not quite up to taking the business to the next level'. The investor puts in his trusted circle of managers many of whom have had successful careers in other industries and who also have huge amounts of Tacit knowledge – but it's not appropriate knowledge to the business they now find themselves in. It's often said you can't teach experience, and to a degree that true. Lots of acquisitions don't deliver the value they should and the disregard of the value of Tacit knowledge has a huge part to play in that underperformance.

People do not share Tacit knowledge lightly rather they use it to further their own careers, in environments where personal performance is rewarded businesses are actively encouraging people not to share what they know, if they do they don't do so well personally. Rewarding cooperative effort in other words profit sharing is the only really effective way of ensuring the best performance of the team as a whole. This is a tricky balance, getting employees to share Tacit knowledge without feeling so pressured that they at worst move on to a competitor and use that knowledge about your business to

further that competitor's business or products. If you want a clear example of this happening the development of the self-driving car shows it perfectly, Uber has just fired the head of it's self-driving car unit who defected from Google over accusations of stealing corporate secrets, that may or may not be true but you can't steel your own Tacit knowledge and this is driving a merry-go-round of acquisitions of companies with no track record in business but who do have individuals with tacit knowledge that is vital to the development of the self-driving car and who are hopping from start up to start up.

Knowledge management sounds all a bit academic but when it comes down to it whether you run or buy businesses it's a key skill.

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