

## Implicit knowledge as a factor of sustainable competitiveness for organizations

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# НЕЯВНЫЕ ЗНАНИЯ КАК ФАКТОР УСТОЙЧИВОЙ КОНКУРЕНТОСПОСОБНОСТИ ОРГАНИЗАЦИЙ

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**Аннотация:** В статье рассматриваются явные и неявные знания как факторы конкурентоспособности организаций. Делается вывод о том, что в последние годы под влиянием ускорения обмена информацией неявные знания становятся относительно более значимым фактором конкурентоспособности. Среди этих неявных знаний – индивидуальные навыки и компетенции командной работы, корпоративная культура. Конкурентоспособность организации – это достижение ею превосходства над другими организациями, при котором результаты ее деятельности оказываются лучше, чем у конкурентов. Отличительным признаком неявных знаний является то, что они не могут передаваться на носителе, они не могут быть кодифицированы, они не передаются в виде информации. Они формируются в процессе получения личного и коллективного опыта и передаются с помощью относительно продолжительных тренингов и обучения. Их применение позволяет создать долгосрочные устойчивые конкурентные преимущества, которые сложно, а иногда в принципе невозможно перенести в другую организацию.

**Ключевые слова:** явные и неявные знания, конкурентоспособность, обучающаяся организация, организация осознанного развития

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## IMPLICIT KNOWLEDGE AS A FACTOR OF SUSTAINABLE COMPETITIVENESS FOR ORGANIZATIONS

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**Abstract:** Explicit and implicit knowledge as factors of competitiveness of organizations is considered in the article. It is concluded that in recent years, under the influence of accelerating the exchange of information, implicit knowledge becomes a relatively more significant factor of competitiveness. Among this implicit knowledge are individual skills and competence of teamwork, corporate culture. Competitiveness of an organization means achieving superiority over other organizations, while the results of its activities are better than those of competitors. A distinctive feature of implicit knowledge is that it cannot be transferred on any medium, it cannot be codified, and it is not transmitted in the form of information. It is formed in the process of obtaining personal and collective experience and is shared with the help of relatively long training and education. Its use makes it possible to create long-term sustainable competitive advantages that are difficult and sometimes impossible to transfer to another organization.

**Keywords:** explicit and implicit knowledge, competitiveness, learning organization, organization of conscious development.

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## Introduction

The significance of competitiveness factors for organizations has changed in recent years. Earlier, many organizations formed their competitive advantages on the basis of product and technological innovations. Now, in an information transparent and global world, technology can be duplicated and the product can be cloned. In many industries, patent law is not able to fully protect the rights of the copyright owner. A vivid example of this is the long-standing dispute between Samsung and Apple over improper borrowing of technological and product solutions, in the process of which only the third party won – lawyers, who received their fees. At the same time, the main participants in these proceedings haven't gained anything. The only exception to this trend is science-intensive industries producing complex systems (e.g. aerospace, nuclear power), duplicating technology in which takes a long time, as well as pharmaceuticals and biotechnology, where the characteristics of innovative products are very clear and cannot be challenged.

## Competitiveness and its factors

Competitiveness of an organization means achieving superiority over other organizations, while the results of its activities are better than those of competitors. Traditionally, organizations compete in price and quality, if the quality of the product is higher at the same price, or if the price is lower with an unchanged quality, then this product will be more attractive to the consumer. M. Porter analyzed the reasons for the increase in competitiveness [Porter, 2011. P. 37-173]. They include the price provided by the seller to the buyer, entry barriers, competition in the industry, and the availability of substitute goods. The higher the entry barriers are, the lower the price provided by the seller to the buyer is, the fewer competitors there are in the industry and, the less the influence of substitute products is, the higher is the competitiveness.

Innovations can also be the source of competitive advantages. Which innovations can become a factor of competitive advantage? With the acceleration of information distribution, with the increase of information transparency, many product and technological innovations cease to be the source of sustainable competitive advantage. Organizations stay competitive if they form a continuous stream of innovations that allows them to be constantly on the cutting edge in an innovative race, or if they shift the direction of innovations to the new sphere, where it is difficult to copy or duplicate the new solutions.

In recent years, information about technical and technological innovations has been spreading unhindered and fast enough, the enterprises have become flexible, and they can quickly adopt a technology, recreate the technical conditions for obtaining advantages in price and quality. Thus, once obtained technical or technological superiority quickly disappears. It becomes short-term. In these conditions, the question arises: how to make the advantages sustainable, that is, how to make sure that

they do not “evaporate”, but remain for a relatively long period of time?

Along with the product and technology innovations there are innovations in management. These innovations do not spread quickly; sometimes their implementation requires a radical restructuring of the entire management system. It's not so simple and fast enough that you can adopt a new corporate culture, implement value management, or perform new approaches to increase the level of staff involvement in business processes. Recently, competitiveness factors have come to include the skills of employees, collective and individual competencies, databases and knowledge bases, trust between employees and trust between the organization and its stakeholders, customer base, etc.

In a modern organization, any production activity is a set of skills, abilities, qualifications, and meanings. Today the main difference between the two similar productions is not so much in technical and technological equipment as in collective competence. It is collective competence that becomes today the main source for competitive advantages. This competence manifests itself in teamwork skills, corporate culture, common values and meanings.

## Knowledge classification

In order to identify which of the innovations in management can have the character of sustainable competitive advantages, let us turn to the classification of knowledge. As it is known, in modern theory it is customary to divide knowledge into obvious (explicit) and hidden (tacit or implicit). Explicit knowledge is a knowledge that can be codified and can be transmitted in a codified form (text, audio or video file). Implicit knowledge is not codified and cannot be transmitted in the form of information. It consists of skills, values, beliefs, and trust. It exists only together with its owner – a person or a group of individuals, formed over a relatively long period of time.

Individual implicit knowledge is, first of all, the skills that are usually the result of a long practice. As an example, we can take the skills of a ballerina, an artist or a florist. Here, to a certain extent, can also be attributed the leadership skills of an experienced manager. Individual implicit knowledge also includes values and mental models. These are the models that we use at the unconscious level. Among them are those that contribute to the process of effective management in the organization, as well as those that slow it down. As an example of a mental model, one can cite the desire to identify cause and effect relationships anytime and anywhere. This model is based on the desire to identify the guilty party in the final negative result. Mental models of this kind not only slow down the process of discussions in organizations, they make the organization itself rigid and incapable of constructive changes.

Orientation to the development of the organization requires a change in mental models. Here are some harmful and dangerous models that hinder the development:

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The power of the old habits (we are used to do it “as usually”, this is time-tested, so now we will try to do it as we usually do it);

The pressure of everyday issues (we tend not to think, spending 99% of our time on current issues and problems, not dealing with strategic aspects of them);

Denial of negative news;

Group thinking (we are “all as one”, we all think this is right, we share a common opinion, etc.);

Inability to distinguish disagreement from disrespect.

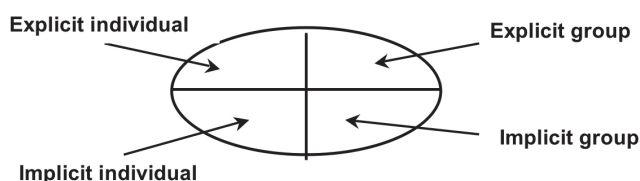
### Implicit knowledge

Group or collective implicit knowledge includes corporate culture (primarily values, ideals and principles that are shared by the team members) and collective cooperative skills (in particular, collective discussion skills, teamwork skills). Collective implicit knowledge also includes trust (both between employees of the organization and in relationships with customers and third party actors).

A distinctive feature of implicit knowledge is that it cannot be transferred on any medium, it cannot be codified, and it is not transmitted in the form of information. It is formed in the process of obtaining personal and collective experience and is shared with the help of relatively long training and education. Its use makes it possible to create long-term sustainable competitive advantages that are difficult and sometimes impossible to transfer to another organization.

The relationship between different types of knowledge is shown in Figure 1 [Gaponenko, Saveleva, 2015. P. 117-124].

Figure. Types of knowledge



For the first time, the concept of *implicit knowledge* was used by Michael Polanyi [Polanyi, 1985].

Individual implicit knowledge is, first of all, the skills and abilities of each person, who is the bearer of this knowledge. Recently, management has increasingly been talking about talent management – that is, ways to attract, grow and retain talented people in organizations – the carriers of individual, implicit knowledge. Typically, a talented employee is able to generate a significantly higher value than an ordinary employee. In some cases, talented employees are able not only to do more on their own; they can significantly improve the productivity of the entire team. Talent management as a management technology was born relatively recently, in the 1990s. Talent management refers to methods of searching, attracting talented employees, identifying and nurturing them, and

also methods of retaining talented employees within the organization. Today, talent management is actively used by many large and medium-sized domestic and foreign companies, and it finds its successful application in the framework of public administration [Mindich, Nikiforova, Oganessian, 2011].

The most essential element of collective implicit knowledge is corporate culture. One of the elements of culture is corporate rules adopted by members of the group, values that employees share, the principles on which the activities of employees are built, their attitude to work. Another element of culture is the criteria for evaluating yourself and other people, as well as common values shared by all employees. Today, an increasing number of organizations are building management based on shared values, principles and criteria. This management has received its name *management by values*.

Another element of collective implicit knowledge is trust. People’s trust in each other in any social community means knowing that their promises will be fulfilled. One of the significant competitive advantages in the modern world is a higher level of trust between employees of the company than in the society. First of all, clear rules, observance of these rules by the manager and his/her subordinates, as well as common values, among which is the obligatory fulfillment of the promises made, contribute to the formation of a high level of trust within the company.

Implicit knowledge is not amenable to the standard management methods that have been common in the recent past. It is impossible to increase the level of trust or creativity by means of orders or the introduction of the system of Key Performance Indicators (KPI), to increase the level of trust among the employees of the company, to form an effective corporate culture by increasing salaries or awarding bonuses. Traditional means of management in these cases are powerless.

At the same time, some techniques and methods for managing collective implicit knowledge are already manifested in the practice of the activities of top-rated companies. They include:

Forming a unique corporate culture that promotes highly effective functioning of the organization;

Development of group skills for discussion and teamwork;

Talent management (attraction, nurturing, and retention of talented employees in a company);

Formation of a company as a self-developing organization.

### New management concept

An important source of growth in the competitiveness of organizations is not only the methods of developing the competence of employees, but also the methods of forming a corporate culture that stimulates the exchange of knowledge. This exchange is due to the fact that trust is formed between employees, it occurs both on an interpersonal level and within the framework of discussions, team activities, employee rotations

[Gaponenko, Orlova, 2008].

Any activity, including activities to develop a particular production process (material production, or production of services) or the entire organization, occurs in a constantly changing environment. In this regard, it is impossible to rely entirely on the once worked out plan. Forecasts have an increasingly indirect meaning, plans cannot be fully implemented. Relying on once worked out plan is inexpedient. In these conditions, the strategic choice is the so-called informed opportunism. It is interesting that the concept itself was born more than 20 years ago [Waterman, 1988].

Informed opportunism gives birth to a new management concept. The fact is that each production task has a lot of acceptable solutions. In this regard, the manager's duty is to establish the boundaries of the decision space, and the task of each employee is to find independently the best way to perform work within the given space. At the same time, the qualification of an employee is determined by the extent to which the solution space proposed for him can be broad. An employee with low qualifications is able to work within a very narrow space of decisions. A highly skilled worker is able to perform within a wide range of solutions, and sometimes outside of it, independently determining a possible solution space for each task.

Under the new conditions, when uncertainty is increasing, and risks are higher, a new type of economic manager appears: he does not know all the answers to the questions, but still creates the climate, the corporate culture that is necessary for the high pace of the organization's development. It stimulates, motivates supports, encourages, and inspires workers throughout the organization. He does not pretend to know all the answers but proceeds in his work from the fact that an individual initiative and creativity is more effective than blind performance. The leader, thus, serves as the causative agent and catalyst for change and does not block them. The practice of modern organizations shows that such leaders achieve higher results, and those leaders who want to know everything and keep under control, stifle initiative and restrain the development of their organization.

### **The concepts of learning organization and organization of conscious development**

In recent years, an increasing number of organizations in the world aspire to become a learning organization [Senge, 2003]. Within the framework of the learning organization, employees learn and the organization itself "learns" also, constantly changing and improving. Training of employees in such an organization occurs not only in traditional forms but also in the process of specially created rotation formats, retreats, brainstorming, the activities of workers and management teams. Such an organization develops personal and collective skills and abilities of employees for training. The whole activity of such an organization is filled with learning, it occurs in the process of experience exchange, mentoring, during

classes in training centers, in the rotation of employees, during internships and in the process of personnel certification. During the training, the company enriches all types of knowledge – both explicit and implicit: mental models, values, ideals, principles, and teamwork skills.

A definite symbiosis of two concepts – learning organization and corporate culture – has emerged in recent years as the concept of the organization of conscious development [Kegan, Lahey, 2017]. Such an organization bases its activity on the belief that work can be an ideal condition for the growth, development, evolution, and cultivation of a person. At every stage of development, such organizations create conditions for employees to understand at what stage of development the organization is, and also to realize their own stage of development. Organizations of conscious development proceed from the fact that work gets boring if a person does not grow as an individual and a professional, and on the contrary, if the employee grows, then the organization derives its own benefits for the development.

In organizations of conscious development, work is always full of significance. For each employee, the meaning of his activity becomes clear. Usually, we do not often think about the meaning of what we are doing. Sometimes in the mind of an employee, the meaning simply escapes. In this case, the employee says: "You told me that this should be done, so I did." Therefore, the meaning disappears. In organizations of the usual type, this attitude to work is not uncommon. But at the same time, a natural question arises: "What can you expect from an employee, when he just follows instructions and never regains his consciousness?"

In the organizations of conscious development, the learning processes of the organization itself and the training of each employee come on the first place. Ray Dalio, CEO of Bridgewater, asks the following question: "What are you worried about more: what results you have achieved, or how fast you are learning?" - and he himself answers that the latter is more important [Kegan, Lahey, 2017].

The organizations of conscious development are built on the principle that employee training contributes to the increased productivity of the company. At the same time, in a traditional organization, the training of a specific employee usually conflicts with the actual work: either you work or you study. In organizations of conscious development, priority is given to training. At the same time, the result is surprising: as a rule, such organizations turn out to be the industry leaders, significantly ahead of competitors in terms of performance indicators.

In organizations of conscious development, the main drivers of growth are experiment and innovation. At the same time, all the activities of such organizations are based on the fact that mistakes are acceptable, and attempts not to recognize them – are not.

Each employee of the organization of conscious development is the source for creative contribution to the reinvention of business processes. In organizations that

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are constantly reinvented (trained according to P. Senge), work from a heavy day-to-day duty becomes a form of self-expression, a means of self-development, a source of energy and sort of a climb. Obligatory components of such work are the goal, meaning, and risk.

The transformation of a conventional organization into an organization of conscious development is a long and complex process. To what extent are the methods of personnel development that are used in organizations, which have already passed this transformation, are universal and can be applied to other organizations – is a question that still has to be answered by specialists.

### Conclusion

Thus, in modern conditions, when the degree of information transparency increases, globalization leads to the fact that information exchange becomes rapid and penetrates through national borders. The speed of transferring explicit knowledge, including knowledge of new products and new technologies, is increasing significantly. As a result, competitive advantages, based on technical and technological innovations, turn into short-

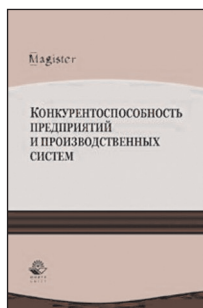
term advantages that require their constant replacement. In other words, they cease to be sustainable advantages. In these conditions, the importance of advantages, based mainly on implicit knowledge, that is more difficult to copy and use in another organization, increases. This in turn elevates the importance of competitiveness factors based on individual and collective competencies, on a unique corporate culture, on the formation of a learning organization of conscious development. In other words, in modern conditions, the relative importance of implicit knowledge is growing as factors of the competitiveness for organizations.

Back in 1987, Robert Waterman wrote: “Dreams about the future, not despair, make organizations move to the heights of perfection. It would be good to live up to the time when all organizations will work for the sake of a man, his needs, and not against him. This is our image of the future, our dream, the driving force and the main task for renovation.” [Waterman, 1988. P. 347] The current practice of management in the most advanced organizations of the world proves that R. Waterman’s dream is beginning to come true.

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### ЧТО ЧИТАТЬ



#### Криворотов В.В. Конкурентоспособность предприятий и производственных систем. Учебное пособие для студентов вузов.

М.: ЮНИТИ, 2018. 351 с.

В книге рассмотрены научно-методические основы обеспечения конкурентоспособности предприятий (производственных систем) и территориально-производственных комплексов (ТПК) как центральных объектов современного хозяйственно-экономического развития России. Приводится методика оценки конкурентоспособности предприятий и ТПК; предложен методический подход к прогнозированию показателей и управлению конкурентоспособностью предприятия (производственной системы) и ТПК. Анализируется пример формирования практических рекомендаций по развитию и повышению конкурентоспособности исследуемого предприятия, направленных на достижение целевых ориентиров его развития. Для обучающихся по программам магистерской подготовки по направлениям 080100 «Экономика», 080200 «Менеджмент», 080300 «Финансы и кредит».



#### Конкурентоспособность предприятия (фирмы). Учебное пособие.

М.: НИЦ ИНФРА-М, 2018. 285 с.

В пособии изложены основные аспекты конкурентоспособности предприятия (фирмы): основные виды конкурентных стратегий, их роль и место в управлении предприятиями, методы анализа конкурентоспособности, стратегические решения по товарной, ценовой и коммуникационной политике. Учтены теория и практика использования различных конкурентных стратегий в деятельности ведущих зарубежных предприятий и фирм. Приведены примеры деятельности отечественных предприятий и организаций. Для студентов экономических специальностей вузов, слушателей систем повышения квалификации и переподготовки кадров, специалистов-практиков.