



# A Proposed Model for Tacit Knowledge Capture Between Consultancies and Freelance Subcontractors

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## ABSTRACT

*There is a perceived knowledge gap where consultancy organizations sub-contract work to freelance consultants in the field, who often gain valuable tacit knowledge that is not subsequently captured by their sponsors. At the macro level, this could impact the design, approach and monitoring of technical assistance programs.*

*The research surveyed 138 European consultancies active in developing countries (in Egypt in particular), addressing three questions:*

- Are they aware of potential loss of tacit knowledge from sub-contractors?*
- Do they perceive any value in capturing this knowledge?*
- To what extent and how is localized knowledge captured?*

*Few respondents had formal systems and to this end we propose a 'Revolving Door' procedural model, a practical tool suitable for smaller consultancies with limited resources.*

## INTRODUCTION

European consulting organizations act as knowledge brokers, members or leaders of projects in developing countries, and sub-contract assignments to freelance consultants. While there are project reviews, final reports, monitoring and evaluation activities and audits, what is often missed is the capture of tacit knowledge gained 'on the ground', which could affect their capability to undertake future assignments. Indeed, there are low levels of awareness of knowledge management or even of the European Commission's "Knowledge Management Made in Europe" initiative.

When operating in developing countries where business cultures depend heavily upon trust and personal relationships, local tacit knowledge can be valuable to avoid loss of credibility and even ridicule.

## LITERATURE

Knowledge is the lifeblood of consulting firms, but studies focus on how large consulting firms capture and share knowledge (Hansen et al, 1999; Sarvary, 1999; Weiss, 1999) with little exploration of smaller organizations, who rely on personal networks to assemble project teams (Reimus, 1997; Raz, 2001). This highlights the importance of psychological contracts (Argyris, 1960; Rousseau, 1995; Ghoshal and Moran, 1997), with consequent implications for trust, loyalty and security of employment, as well as the knowledge transfer process.

Freelance consultants have little incentive to share their knowledge with the main contractor, who needs it to enhance future capability. The role of a consultant is changing to one of coach and mentor within client organizations, but more significantly within the consulting network (Ingleson, 2001), sharing knowledge twice – once to the client and once to the company.

The trade-offs between codified and personalized knowledge management approaches is echoed in Nonaka and Takeuchi's (1995) distinctions between the socialized transfer of tacit knowledge and system-based transfer of explicit knowledge. Equally, the many classifications of knowledge (Tsoukas and Vladimirou, 2001) include phrases such as know-how, know-why, care-why (Garud, 1996); Quinn et al, 1996) etc. However, we emphasise the importance of situated knowledge (Billett, 1996).

## SUMMARY OF RESEARCH

The questionnaire was sent to 138 European consultants operating in Egypt (a large recipient of aid/technical assistance, close to Europe yet culturally distinct), and ten were interviewed. We chose not to persist with reminders to boost the response rate (34%), as the response level was an indicator of the topics' importance, a finding in its own right.

The sample size is statistically small but significant as the research elicits tacit knowledge and first-hand experience from practitioners.

## Local Experience

Some 75% considered localized regional experience very important for business development, commercial prospecting and for proposal writing (88%), whereas local language capability was not.

There was little perceived motivation to capture local tacit experience as business was won without it, and thus the focus was on forging local alliances – "attempting to "act" local can often be offensive". Local partners executed 30% of an assignment.

Table 1: Respondent profile

Country	Questionnaires Sent	Responses			%
		Questionnaire / Interview	General responses	Declined	
Belgium	11 (8%)	1	0	1	1 (1%)
Denmark	13 (9%)	2	2	1	5 (4%)
France	10 (7%)	2	2	0	4 (3%)
Germany	23 (17%)	0	1	2	3 (2%)
Greece	8 (6%)	1	1	0	2 (1%)
Ireland	6 (3%)	3	0	0	3 (2%)
Italy	8 (6%)	0	3	0	3 (2%)
Luxembourg	1 (1%)	0	1	0	1 (1%)
Netherlands	9 (7%)	3	0	3	6 (4%)
UK	40 (29%)	14	3	1	18 (13%)
Others**	9 (7%)	0	0	1	1 (1%)
<b>TOTAL</b>	<b>138 (100%)</b>	<b>26 (19%)</b>	<b>13 (9%)</b>	<b>9 (6%)</b>	<b>34%</b>
48 responses or 34%					

Table 2: Criteria to implement KM

Ranking	Criterion	Importance
1	Capturing valuable knowledge to win new business	86%
2	Resources constraints	64%
3	Costs constraints	64%
4	To access new ideas and boost intellectual capital	50%
5	Time constraints and to shorten the learning curve	43%
6	To secure repeat assignments	36%
7	To raise corporate profile	7%

One observation was “the importance of intuition, knowledge, perception of body language and voice intonation and mannerisms is underrated, as is the manner and delivery of questions”.

### Knowledge Capture Systems

Only 38% of respondents had formal systems, and only half were computer-based, relying instead on networking and face-to-face meetings. One comment was “like most consultancies of our size, knowledge management relies on ‘water-cooler’ exchange, based on case stories and experiences”. Knowing *where* to find knowledge was key, not capturing and storing it. Mentoring, coaching and debriefing were highlighted as essential.

Only 63% distinguished between tacit and explicit knowledge: “Personally I have never thought of it as knowledge management, but more as a common sense approach to developing one’s consultancy skills”. The majority (90%) stressed maintaining good personal relationships with subcontractors based on mutual trust and respect.

### Criteria

Table 2 highlights the business prerequisites to implement a knowledge management system. Successful project teams easily get repeat assignments, and there is no concern to capture local tacit knowledge from freelancers as “you can always hire them again”.

### Perceptions

Many felt that knowledge capture should be a natural process, based on personal chemistry, not a system. Conversely some thought “all consulting companies should make it a specific contractual requirement that all output or knowledge gained is provided electronically to the main contractor”. Others were less positive, e.g. “not in my company - management time is scarce. It’s the usual excuse - too busy looking for work or else doing it”. Another respondent added “I doubt it for consultancies, but maybe for multinationals with large projects. This is something for academics like Peters, Handy and Hofstede to do case material for MBA students to chew over”.

## DISCUSSION

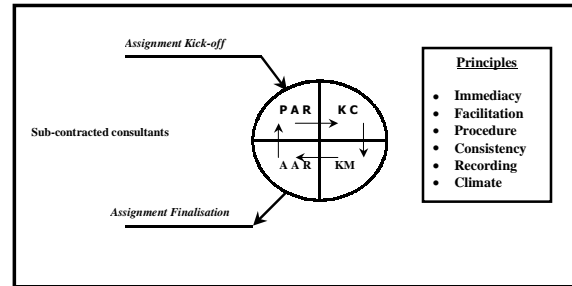
Consulting firms are often portrayed as leading-edge knowledge practitioners, yet our study suggested otherwise (Reimus, 1997; Raz, 2001). Consultants still perceive ‘knowledge is power’ versus ‘sharing knowledge is power’.

There is a heavy reliance on local expertise, and capturing valuable local tacit knowledge remains informal and unstructured, driven by the complacency that sub-contractors can be re-hired. This belief may be fundamentally flawed as it would be ignoring the changing nature of the psychological contract. Freelance consultants possess valuable knowledge that can be purchased by the highest bidder. Unless the nature of sub-contracting is based upon reciprocity and consultant loyalty, re-hiring may not be a viable option.

Secondly, if knowledge is not shared widely within the firm, it cannot be leveraged to generate further innovation or amplify the firm’s thinking power.

Since all respondents intend to remain in the region, the behavior towards the management of knowledge is at considerable variance with their criteria of winning new business. Beyond all the rhetoric, knowledge is still something ‘nice to have’ rather than a business imperative.

Figure 1: Revolving Door Model



Clearly this is only an exploratory study of a small number of European consultancies, but highlights the issues and challenges for many consulting firms. We therefore propose the ‘Revolving Door Procedure’ as a simple tool to capture tacit knowledge in operational settings.

### The Revolving Door Procedure

The approach is simple and as Andrew McMahon, a Lotus veteran and senior product marketing director at Groove Networks, observed “To really make knowledge sharing work, you have to find a way to connect people with each other that doesn’t require unnecessarily technical overhead”, (Roberts-Witt, 2002). The model was inspired by the US Army’s After Action Review (Meliza, 1995) and essentially assesses what was intended to be achieved, what actually was achieved, and why there was a difference.

The four phases are:

- **Pre-action review (PAR)** – performance standard established based on expectations of the team before the assignment, using a standardized questionnaire.
- **Knowledge Capture (KC)** – on-going process capturing knowledge on an immediate basis, rather than at the formal end of the project
- **Knowledge Management (KM)** – documentation, analysis and updating of knowledge captured. At the project level to ensure speedy identification of difficulties and problems to enable corrective action. At the corporate level to impact broader policy issues to address underlying causes.
- **After action review (AAR)** – adopting the principles advocated by Garvin (1996), i.e.

**Immediacy** - while knowledge is fresh and there is still a team mindset.

**Facilitation** - using trained facilitators with good understanding and intuition. The value of the knowledge captured depends on asking the right questions.

**Procedure** - simple and direct with a minimum of bureaucracy, so paperwork does not impede free interchange of views and ideas.

**Consistency** - applied across all project components and become a standardized framework embedded and internalized into working practice.

**Recording** - simple, so it can be communicated upwards and between organizations.

**Climate** - open and frank dialogue so participants feel able to discuss mistakes without fear of negative consequences, or implications for future assignments.

To overcome the perception that consultants may be giving away their priceless knowledge, the Revolving Door model should be ‘sold’ as a benefit that will accelerate and enhance their personal worth, and be a selection factor for future assignments.

## CONCLUSIONS

Consultancies are aware of potential loss of tacit knowledge from sub-contractors, but are passive as they still win new business. Our

interviews and open-question responses highlighted the need for capturing sub-contractor knowledge more systematically and formally, and to better understand the nature of psychological contracts.

The literature has yet to address this dimension of knowledge management, which is significant for many smaller consulting organizations. Our proposed model may provide one practical way of turning unreflective practice into a reflective one (Tsoukas and Vladimirou, 2001).

At the policy level, tacit knowledge capture could affect the design, monitoring and implementation of large-scale technical assistance programs, and ensure better use and impact of resources directed at sustainable development. Therefore, knowledge management should be part of any corporate social responsibility exercise.

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