

# Chapter 8

## The Tacit Knowledge and the Knowledge Management Processes: Developing a Relationship-Based Knowledge Matrix Using Simulation to Improve Performance

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### **ABSTRACT**

*Knowledge management is a new term specific for the new Knowledge Economy, where continuous change is every step and imposes developing knowledge of employees in order to satisfy stakeholders needs and to obtain long-term performance. This chapter will analyse the role of tacit knowledge in obtaining performance and the knowledge processes implemented to achieve its objectives: knowledge acquiring, mapping and sharing in order to grow knowledge and knowledge flows. The author presents a simulation model used to analyse the present stock of tacit knowledge and to predict future knowledge for the future activities. It is also developed a relationship-based Knowledge Matrix offering organizations new opportunities for gaining new knowledge. This can be made by implementing models of inter and intra-departmental or inter-organizational knowledge exchange to help organizations find the right employee for the right job, and to identify the right knowledge at the right time and cost.*

### **INTRODUCTION**

In this new knowledge economy era, the markets and the customers needs are changing continuously, and the organizations must do the same thing using new technologies and the unique skills and knowledge of their employees. This has made imperative for firms to manage knowledge actively (Prusak, 2009, p.x). Chiarello, Pletsch, Da Silva & Da Silva (2014, p.74) and Handzic (2004) say that this new

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world is referring to information age, and knowledge economy. Knowledge is an intangible asset which is gaining space, and its role is obtaining performance which has grown between 1982 and 1992 from 38% to 62% and in 2002 its contribution to market value rose at 85% (Person, 2013, p.5; Howes, 2015, p.v; Tapomoy, 2009, p.307; O'Sullivan, 2009, p.24).

Thus, different specialists and institutes (as Human Capital Institute) provides data which makes it clear that intangibles are increasingly becoming critical for organizational sustenance and success; so we are launching the following question: „what could be today the maximum contribution of intangibles assets in gaining market value?”. And because Giju et al. (2012) said that the value of a company is largely determined by its intangible assets, we could say its value could achieve even 100% in some cases.

Some authors have tried to show the characteristics of tangible and intangible assets (Becker, Ulrich & Huselid, 2013) in order to convince the specialists from organizations how important are the intangible and how many benefits they can bring by using them effectively:

**Tangible:** Readily visible, rigorously quantified, part of the balance sheet, investment produces known return, can be easily duplicated, depreciates with use, has finite applications, best leveraged through control, can be accumulated and stored,

**Intangible:** Invisible, difficult to quantify, not tracked through accounting, assessments based on assumptions, cannot be bought or imitated, appreciates with purposeful use, has multiple applications without value reduction, best leveraged through alignment, dynamic, short shelf life when not in use.

In these changing conditions, the specialists should be aware of the fact that intangible assets generate tangible benefits as growing performance, productivity, collaboration, communication, relationship with stakeholders, payment, involvement, lower costs, and social disfunctions. This requires organizations to shift from economic based resource framework on knowledge and networks. So, competition, globalization and information conduct organizations to a knowledge intensive economy (Tapomoy, 2009, p.307).

Due to the role of human capital and its knowledge in obtaining performance which is very well known, we will have as objectives in this chapter the analysis of importance of knowledge in obtaining long-term performance and implicitly the importance of tacit knowledge for individuals and also for the organizations. We are also analysing the process of knowledge management, showing that having an effective acquiring process, an effective sharing, mapping, and an efficient measuring systems the organizations will know the gap between their organizations and other organizations in order to improve performance. We will show that through effective recruitment, motivation, compensation and a better collaboration, communication, development, training and using strategic alliances, the organizations will be able to gain new knowledge, knowledge necessary for satisfying the stakeholders desires and achieving competitive advantage. In order to achieve its objectives any organization must develop a model who will help it to have a clear image on its human capital and its knowledge.

In our case study:

- We used simulation and probabilities to show that making the square and the cube of the matrix we will obtain the predicted future value of tacit knowledge of the analysed group (group of head management),
- We developed a knowledge matrix based on intra and inter-departmental exchange and an inter-organizational exchange necessary for achieving new knowledge necessary for an improved performance.

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