Blog series:
Organisational knowledge and innovation

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In my next few posts I will elaborate on the role of knowledge in enabling learning organisations. In previous posts, I have concentrated mainly on how knowledge for innovation is generated in organisations. The response from readers was very positive, and as I worked with management teams to strengthen their culture of innovation, I realised that there are some further concepts that I should elaborate on.

The first post in this series will look at the difference between tacit and explicit knowledge, and how both are formed. The second post will explore why explicit knowledge dominates organisations. The third post will discuss how leaders can embrace tacit knowledge and encourage their teams to create new knowledge.

Post 1: Organisational knowledge and innovation: the difference between tacit and explicit knowledge

Knowledge in organisations can either be explicit or tacit, or a mixture of the two. Let us first sort out the difference between explicit knowledge and tacit knowledge.

Explicit knowledge is easier to identify than tacit knowledge, and is typically captured in processes, systems, routines, documents, guidelines and so on. Some explicit knowledge from outside the organisation can also shape the internal environment, such as regulations, standards, professional codes and broadly accepted practices. Explicit knowledge flows in society over organisational borders through channels such as the media, educational systems, professional bodies, accepted good practices, conferences, manuals, trade journals, the appointment of new staff, and so on.

Tacit knowledge is much harder to detect, capture and disseminate. It spreads more slowly, because of the difficulties of detecting it and recognising it for what it is and transmitting it, as well as the challenges of absorbing it and figuring out how to use it. Most people are not fully aware of the value or perhaps even the existence of this kind of knowledge. What you do and why you do it in a particular way is shaped not only by the task at hand, but by your experience, your values, your education and the current environment. Often when you ask people how they knew what to do in a unique situation, they merely shrug and say "it felt right" or "my intuition told me so". Tacit knowledge is often hard to explain and even harder to document or capture.

We gain, absorb, leverage and integrate these two kinds of knowledge in rather different ways. This distinction is important for leaders, as it provides clues as to how knowledge that enables adaptation, improvement and innovation can be created or harnessed.

We pick up explicit knowledge from our environment, even if this process is imperfect and prone to all kinds of errors. For instance, we may misinterpret rules, overlook a regulation, or fill in the wrong form. With the dramatically increased amount of information that is now available in many organisations, we find that people often simply don't know which explicit or codified knowledge to use. This applies to individuals, organisations and in some cases even industries. We can simply become overwhelmed by contradictory information, even if it is well expressed or explained in detail. The fact that it is sometimes very difficult to know which explicit knowledge to use gives rise to the use of brokers and gatekeepers, which could be either a good thing or a bad thing. For instance, when rules are not clear or are inconsistent, individuals might use their insight into the workings of the system to their advantage in return for favours.

But here is the rub. Tacit knowledge, as far as I can tell, starts mainly with individuals and then spreads to teams. To illustrate, if we draw an arrow representing knowledge flow, we see that the arrow moves from the individual to the organisation; this happens if the organisation is aware of the existence of this knowledge and is attentive to its value. Many organisations are managed in such a way that tacit knowledge is suppressed, even if this is unintentional. Tacit

knowledge is personal, although some of it may be shared with some close co-workers or trusted people. Tacit knowledge mostly spreads through personal exchange, trust, close observation or working closely with colleagues. For instance, one way in which tacit knowledge spreads is by mimicry, where you copy how other people behave or carry out a task. When people are asked to express their insight into tacit knowledge, they do so conditionally, depending on their assessment of the intent and trustworthiness of the person asking for advice.

Many organisations have no way to determine the value of the tacit knowledge of their employees, and often the value of an employee's contribution is only realised when they leave. It is these people who are sorely missed when they leave. Neither is it as simple as merely asking people to write down what they know – we'll discuss this in more detail in the next post.

Post 2: Why explicit knowledge dominates organisational cultures

In the previous post, I argued that tacit knowledge gets absorbed into the environment of the organisation (and society), but only if the right conditions prevail. It is futile to ask people to record their experiences or report on lessons learnt. This is because tacit knowledge is highly contextual, and it is nearly impossible to describe all the factors that an individual has to consider at once when deciding on a course of action. Obstacles to identifying or sharing tacit knowledge include, for example, language (not knowing the appropriate words or not being able to explain something adequately), lack of self-confidence, fear of being ridiculed and a multitude of other factors.

Even when leadership is willing to listen to the concerns, ideas and anecdotal explanations of employees, many errors occur in this absorption process. Errors are caused both by the difficulty of the sender to explain or share what works and why, and because the recipient, in other words the broader organisation, might not be able to absorb this knowledge due to technical difficulty, the inability to appreciate the value of what is communicated, or often the inability to understand the relevance of the knowledge being shared. In South Africa this absorption process is often exacerbated by race, gender, hierarchy and various social factors.

Leadership of organisations, in pursuit of different kinds of innovation, must purposefully set out to create a learning environment. This does not mean that people only learn in the context of official projects, but that everyone is given the opportunity to experience the self-fulfilment of exploring ideas, trying new combinations, engaging with others, working together to improve productivity and playing together to increase creativity. In practice this means that leadership must allow people to learn about topics even where the value of the learning is not immediately clear to the organisation. Leaders must understand that frequently people who are learning new concepts, even if these are unrelated to their core functions, are better able to connect the disconnected, to reframe problems as solutions, and are more willing to embark on a process of discovery with uncertain outcomes.

When the innovation strategy of an organisation is too narrowly focused on project plans, milestones, etc., tacit knowledge usually suffers. More senior or more articulate members of the organisation can crowd out the voices of people who may have great insight but no safe way of expressing their thoughts. The result is that although a successful product or process may have been produced, employees do not feel self-fulfilled or that they have learned anything of value. They may even feel neglected or isolated. This often happens when organisations strive to become leaner – all the connectors and generalists are then replaced with specialists who have a direct contribution to make in key processes. This may result in organisations losing their agility to respond to changes in the contexts in which they operate.

Due to the formality of the planning process, codified knowledge is valued above instinct and intuition; accuracy of information and planning metrics are regarded as more important than the views of people who express doubt, but who cannot explain why something does not seem right. The practice of learning, reflecting, arguing, rough prototyping and then adapting the process is often neglected or allowed only in brainstorming sessions that are vulnerable to manipulation or group thinking. It takes sensitive leaders to recognise when some experienced people are holding back their thoughts, or that somebody from a different

background could perhaps contribute a valuable insight or alternative perspective. Individuals may feel that their ideas are not valued, or perhaps because they struggle to express what is on their minds articulate people lose patience and just disregard the less articulate people. Or perhaps people with great ideas are simply concerned that because time and resources are finite, they may derail the process, decelerate the momentum or change the direction of a certain train of thought.

Post 3: What can leaders do to embrace tacit knowledge more to enable innovative organisational cultures?

This is the third post in this series. It lists some of the "how" questions that leaders should consider if they want to create more innovative organisational cultures. This is not an exhaustive list, but it covers some of the ideas tried by some of the leaders and organisations I work with.

How can leaders embrace the tacit knowledge that exists in their teams?

First, leaders must recognise the value of dissenters, namely those people who express their opinions based on their different experiences and perspectives. Allowance must be made for those who think differently to put forward their contributions. In a learning organisation, different perspectives and views are valued above titles and qualifications. Furthermore, people must be encouraged to express their enthusiasm or concerns without the need to adhere strictly to "facts". Intuitive remarks should be treated as hypotheses and leaders should encourage people to investigate these hunches so that they can be addressed by appropriate plans and activities.

Second, leaders must give people the opportunity to learn. Learning must not be limited to the core functions that people are responsible for, as a learning attitude involves constant and wide-ranging learning, not only at the level of individuals but also at the level of teams. Furthermore, employees should be encouraged to read, explore and discover during work time. This means that managers must also encourage employees to think individually and collectively. One way to encourage stronger social networks in organisations is to encourage people from different work areas to cooperate in solving a problem or developing an idea.

In my opinion, leaders must also ensure that their workers are balanced in how they work. For instance, workers who take home loads of work will not be able to be creative, playful or serendipitous (i.e. making accidental discoveries) during work time due to exhaustion. Leaders must also lead by example, and not, for example, send long e-mails after hours full of detailed instructions.

Third, leaders must promote this culture of learning by allowing serendipity, in other words discovering things by accident. This means that leaders should lead by example and allow workers to explore by themselves how things can be improved, changed or tweaked. Simple ways in which this can be encouraged are to provide teams with a small budget to try things, model things, explore ideas, jointly participate in online courses or invite a speaker to address staff. This kind of exploration cannot always be planned, but it must be encouraged within certain limits. Leaders must encourage teams to stretch their thinking or challenge their beliefs. This increases the stock of creative and imaginative ideas that people can generate in their daily work. While some exploration can be related to official plans, much exploration is about forming new social ties, self-expression, curiosity and even personal fulfilment.

Fourth, great leaders can sense tacit knowledge in their people, but only if they are close enough to them. Teams and co-workers can figure out when somebody is using tacit

knowledge to solve a problem or propose an idea, and can draw in people with different perspectives. Great team leaders know that tacit knowledge is an asset when people are encouraged to disagree or think out loud, when the voices of dissenters are taken seriously, and when diversity is openly embraced. Sensible leaders know when to trust their people and when to use explicit knowledge to shape the behaviour of their people.

Fifth, the stories that people tell are important. Instead of trying to suppress gossip, leaders should listen and reflect on their own values and how these are perceived by their teams. Office gossip is a powerful form of tacit knowledge transfer, and it is not all negative. When people are talking about somebody's misfortune, hurt or distress, leaders can step in with empathy and encourage teams to support people who are experiencing problems in their lives.

This is an opportune moment to reflect on how organisations function within a broader societal context: workers are extremely sensitive to any gap between what managers say they value and how they behave. When people talk about office relations, or breaches in values by any rank, leaders should step in and make sure that rules and regulations are adhered to, regardless of the seniority of the people involved. These are the moments where real organisational values are refined. When co-workers start to influence each other negatively, leaders should step in and separate people or re-arrange them to break up negative groupings. All of this is only possible if leaders are prepared to listen to what their people are talking about, and then dealing with what they hear in a trustworthy and responsible fashion.

Lastly, leaders should take care not to over-formalise. Formal rules often communicate mistrust and reduce the ability of people to exercise judgement. When everything is fixed according to rules, regulations or processes, the organisation's ability to respond to sudden change is reduced.

Perhaps leaders could ask their teams *"Is there something we must do less of to be more innovative?"* This question mostly targets the imposition of excessive rules, policies and guidelines, which leads to the enforcement of too much formality. I always encourage the leaders I work with to openly state when they have to make a decision for which a precedent or rule does not exist. I help them to encourage their teams to generate well-thought-out portfolios of options, or a portfolio of small experiments that can be tried. These portfolios must leverage the formal and informal capabilities of the organisation and its individual members. This is one way that tacit knowledge becomes more explicit. One benefit is that by building the adaptive capability of their teams by not always taking the lead, the organisation's workers are encouraged to come up with ideas, solutions or options. When people understand that they have a role to play in formulating options, they are also better able to reflect on why some things work and others do not. This makes the organisation more agile, as people learn to work together to solve novel problems, and they become better at discerning when things are not going according to plan. Because they are co-designers, they are also better able to generate and evaluate alternatives, which means that the organisation has a greater stock of options that it can combine and execute. If too much formality is enforced this ability will not emerge.

It is my view that many leadership teams are too focused on explicit knowledge, and tacit knowledge deserves more attention. For organisations to innovate now and in the future, the development of tacit knowledge must be encouraged and embraced. This means that opportunities must be created for people to self-organise around ideas, projects and topics. This builds trust, even if it does not always add directly to the bottom line. It also makes it easier for the finance people to team up with the technical people, and for people to get better at drawing on the experiences and perspectives of others.