Overview

• About Authors
• The Distinctive Japanese Approach
• Tacit/ Explicit Knowledge
• Knowledge Conversion
• Enabling Conditions
• Management and Organizational Structure
• Implications
• Conclusion
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The Distinctive Japanese Approach

- Western Knowledge is based on explicit knowledge.
  - Organization is a machine for information processing.
- Tacit knowledge is more important in Japan.
  - Organization is a living organism.
- Tacit knowledge is highly personal and hard to formalize, difficult to communicate.
• Tacit knowledge- Knowledge that we do not know we know. Difficult to articulate and generally expressible only through action.

• Explicit knowledge- Knowledge that we know we know. Can be articulable, codified, stored, transferred through documents.
<table>
<thead>
<tr>
<th>Tacit Knowledge (Subjective)</th>
<th>Explicit Knowledge (Objective)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of experience (body)</td>
<td>Knowledge of rationality (mind)</td>
</tr>
<tr>
<td>Simultaneous Knowledge (here and now)</td>
<td>Sequential Knowledge (there and then)</td>
</tr>
<tr>
<td>Analog Knowledge (practice)</td>
<td>Digital Knowledge (theory)</td>
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Knowledge Conversion

Socialization

Externalization

Internalization

Combination

I=Individual, G=Group, O=Organization, E=Environment
<table>
<thead>
<tr>
<th>Tacit</th>
<th>to</th>
<th>Explicit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tacit from</td>
<td>Socialization (Theory of group process and organizational culture)</td>
<td>Externalization (Dialogue and collective reflection)</td>
</tr>
<tr>
<td>Explicit</td>
<td>Internalization (Organizational learning)</td>
<td>Combination (Information processing)</td>
</tr>
</tbody>
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Example of Socialization

- Matsushita Electric Industrial Company
  - Problem: Automatic home bread-making machine.
  - Volunteered to apprentice themselves to the hotel’s head baker.
  - No one could explain why.
  - The secret for making tasty bread: stretching and twisting
Example of Externalization

• Honda City
  – Developing the car
  – Used a metaphor: Automobile Evolution
  – What will the automobile evolve into?
  – Tall and short car: Tall Boy
  – Man-maximum, Machine-minimum
Example of Combination

• Asahi Breweries
  – Grand concept: Live Asahi for live people
  – What makes beer appealing
  – Developed Asahi Super Dry beer: richness and sharpness
  – Cooperative product development
Example of Internalization

- Matsushita
  - New policy: reducing yearly working time to 1800 hours
  - Objective: innovating the mindset and management
  - One month experience, working 150 hours
  - Internalized through the one-month experience
Enabling conditions

• Intention
  – aspiration to goals

• Autonomy
  – letting people act independently as far as possible

• Fluctuation and creative chaos
  – to stimulate interaction between the organization and its outside environment

• Redundancy
  – Enables the knowledge creation to take place organizationally

• Requisite variety
  – Requires equal, fast access to information
Organizational Knowledge Creation Process

Enabling conditions:
- Intention
- Autonomy
- Fluctuation/Creative chaos
- Redundancy
- Requisite variety

Tacit knowledge in Org.

Socialization
- Sharing tacit knowledge

Externalization
- Creating concepts

Justifying concepts

Combination
- Building an archetype
- Cross-leveling knowledge

Internalization
- Market

Explicit knowledge in Org.

From gollaboratim Org.
- Tacit knowledge from users
- Internalization by users
- Explicit knowledge as advertisements, patents, product and/or service
• Top-down and bottom-up management both have limitations.

• “Simply put, knowledge is created by the middle managers, who are often leaders of a team, or task force, through a spiral conversion process involving both the top and the front line employees.”

• Middle managers act as catalysts.
New Organizational Structure - Hypertext organization

- Collaboration among project teams to promote knowledge creation
- Teams are loosely coupled around organizational vision
- Team members form a hyper network across business-systems
- High accessibility to knowledge base by individual members
- Dynamic knowledge cycle continuously creates, exploits and accumulates organizational knowledge
- Organizational vision, culture, databases, etc.
Implications

• Create a knowledge vision.
• Develop a knowledge team.
• Build a high-density field of interaction at the front line.
• Piggyback on the new-product development process.
• Adopt middle-up-down management.
• Switch to a hypertext organization.
• Construct a knowledge network with the outside world.
“Knowledge is taken as the basis for what an organization does, but it’s important to know that creating knowledge can be as important as processing knowledge.”

Exchange of knowledge is in a very central role. The knowledge should be at hand, where it is needed, instantly. It also should be easily updated and delivered.

“Creating knowledge will become the key to sustaining a competitive advantage in the future.”