

## IN PRACTICE SIMULATIONS ACCELERATE TACIT KNOWLEDGE TRANSFER

**FIGURE 1: BUSINESS SIMULATIONS AND TACIT KNOWLEDGE TRANSFER**

Requirements to create and transfer tacit knowledge	How business simulations meet the requirements
Close physical proximity — bound to the senses, personal experience and bodily movement	Physical, on-site team area — war room or business lab where analysis and decision making occur.
Field of interaction	The simulated marketplace, customers and decision set.
Common language/externalization	The simulation “manual” establishes a common language for discussions. For customized simulations this language is company/industry specific.
Experimentation and comparison	During decision rounds, teams can evaluate multiple what-if scenarios based on different decision sets. When a decision round is finished, teams compare their actual results with their forecasted results. They also compare their actual performance with the performance of other competing teams.
Direct observation	Team members teach each other. For example, during a decision round, a team member who is an expert in marketing might drive the marketing decisions and in the process discuss why a specific marketing decision is good or bad.
Imitation	As decision rounds proceed, team members change roles. Some might jump into the role of running the marketing decisions in a later round, hence trying to imitate the process they observed in an earlier round.
Joint execution	Business simulations are a collaborative effort where all participants are required to contribute to decision making and analysis.
Organized	A highly structured process typically guides the team’s activities. A proven process involving whole-class discussion, team decision making, pen and paper exercises and team presentations creates a structure within which effective creation occurs.
Codification/classification	The simulation, by design, creates a categorization and mental model within which team experiences are structured.
Pre-existing relationships	Artificial relationships are created within the teams. No longer is a participant Joe from accounting, he is now a member of the executive team of fictional company X. Most participants actively participate in this role play during the competition. They build camaraderie and teamwork with teammates quickly.

The knowledge employees learn over the years can be divided into two categories: explicit and tacit. Explicit knowledge is easily extracted, documented and replicated. Examples include how to read a profit and loss statement, how to write software, how to calculate a break-even point, how to reduce inventory and working capital or how to manage time. One company’s creation and transfer of explicit knowledge will not be much different from another’s because many of the most common mechanisms and methodologies have become packaged and commoditized.

Tacit knowledge is less tangible, thus creating and transferring can be more complex. Examples of tacit knowledge include: how to look at market opportunities and threats and select a market for product launch, how to anticipate competitors’ actions, how to maintain focus in the midst of distracting events, how to develop mission and longer-term focus for an organization and how to lead.

The tacit knowledge required to make sound business decisions and to effectively lead is built from experiences over many years. To effectively build business knowledge, either explicit or tacit, leaders need to replicate experiences similar to the experiences that built that knowledge in the first place (Figure 1). For this reason, business simulations can be effective as knowledge creation/transfer tools. Business simulations provide a field of interaction where multiyear experiences are created in compressed timeframes. **CLO**

*Jeffrey R. Lefebvre is the founder and president of PriSim Business War Games and adjunct professor at Northwestern University. He can be reached at editor@CLOmedia.com.*