

# Chapter 14

## Tacit Knowledge Sharing and Value Creation in the Network Economy: Socially Driven Evolution of Business

**Wioleta Kucharska**

*Gdańsk University of Technology, Poland*

### ABSTRACT

*Key factors which affect competitive advantage in the network economy are innovation, relationships, cooperation, and knowledge. Sharing knowledge is not easy. Companies find it problematic. Presented studies show that the essence of the value creation today is not in sharing explicit but rather tacit knowledge, which is a source of creativity and innovation. Delivering value through knowledge does not only require efficient Transactive Memory Systems (TMS) but most of all a thorough approach to effective human interactions. Thus, to ensure tacit knowledge sharing, human resources management (HRM) needs to focus on the culture of collaboration, whose key element is trust among organization members. The aim of the chapter is to highlight that the network economy driven by knowledge workers as tacit knowledge producers caused the socially driven evolution of business.*

### INTRODUCTION

The network economy is a distinct form of economic activity in the area of production and consumption where the network coordinates processes between entities in the market (Powell, 2003). It transcends both markets as well as a hierarchy of relationships (Sayer & Walker, 1992), which to a large degree determines rules for the operation of all market participants. Another definition describes the network economy as an economy of interdependencies (Mazurek, 2014) where “everything depends on everything” and as a new system which evolved from the information technology and progressing globalization. Such a system stands out because of the countless number of links between entities fed with a ceaseless flow of information, capital, goods, and also resources. The flow is supported and coordinated by

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modern technologies (Lu & Wang, 2008). The market economy is also defined as a global transactional network (Lin, Shaw, & Chuang, 2005) where ordinary linear chains of delivery and values evolved into a cooperating network of relationships, which, based on the Internet infrastructure, contributed to the emergence of so-called “virtual entrepreneurship” (Lu & Wang, 2008) and the notion of “the Internet network of values” (Pastuszak, 2004). Thus, the network economy is a result of a mass-scale implementation of information technologies, and additionally a transformation of the post-industrial society into an information society. Therefore the primary assets of the network economy are information, network, relationships, knowledge, and a virtual environment. These features are described below:

- Information and intellectual input (competencies) as leading elements of the value chain (Pastuszak, 2004),
- A diminished importance of material capital for the sake of intellectual property (Rifkin, 2000),
- Innovativeness, relationships, knowledge, competencies, and cooperation as key factors for achieving success (Mazurek, 2014)
- Commercialization of interpersonal relationships and personal experiences (Rifkin, 2000),
- New digital technologies as an infrastructure for information and communication,
- Omnipresent virtual reality as a significant space for conducting business and social activities, imposing “a network logic” upon the market participants,
- Virtualization as an element of the network economy, whose attribute is immateriality in terms of time, location, and space, limited mainly by time which is a critical component of competitiveness,
- Real transaction and interaction time as an attribute of virtualization,
- A network of individual value creators replacing the hierarchical network of values, resulting in an elimination of mediators for the sake of a direct connection,
- A high integration of economies resulting from a merger of markets and sectors as a source of hyper-competition and so-called “vibrations” (Perechuda, 2007); effects of possible disturbances resonate into the entire network of values,
- An active prosumer as a driver inducing cooperation and the symmetry of benefits.

These characteristics are significant determinants of “the network economy,” and they describe the character of the contemporary market and its functioning in a holistic manner. The present day market structure in the arrangements “many to many” creates a network of relationships and as a result of cooperation a complete system of values, including business partners, customers, and company employees. The network economy imposes creating a relational equity. To sum up, we can establish that the network economy is a new economic activity system for an information society. The global network within this system constitutes both the infrastructure for the flow of goods and resources as well as a form of direct cooperation of dispersed value creators. The crux of value creation is the intellectual capital, whereas all interactions (both social and economic) which take place in the overpowering virtual space happen with the use of new technologies in a real-time and are subject to commercialization. Table 1 presents definitions of the network economy based on the listed above sources.

Network economy is driven by knowledge, innovation and relationships. The role of the network these days is to coordinate market processes. The cooperation is a key factor which decides about an organisation’s competitive advantage in the network economy, as pointed out by Tapscott (1989), Perechuda (2007) and Mazurek (2014). We can observe increased networking of companies which changes the total business and research optics, e.g. distinguishing between national and international investments loses its

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