The growing importance of tacit knowledge

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Jasmijn Bol, associate professor of accounting, finds that firms now value tacit knowledge in entry-level employees as well as managers.

Businesses have long recognized the importance of skills such as teamwork, communication, self-management and the ability to prioritize tasks, but previous research suggested that these and other hard-to-teach skills — referred to by scholars as tacit knowledge — were valued only in managers, not entry-level employees.

Now, new research from a professor at Tulane University's A. B. Freeman School of Business shows that firms value tacit knowledge in junior employees as well.

In a new study, Jasmijn Bol, associate professor and PricewaterhouseCoopers Faculty Fellow in Accounting, finds that inexperienced auditors with high tacit knowledge receive better performance evaluations and earn higher bonuses than peers with low tacit knowledge. While the study focused on audit firms, Bol says the findings are generalizable across professional fields.

"Thirty years ago, the research said that tacit knowledge only becomes important when you move into managerial roles," Bol says. "We find that that's not accurate anymore. Tacit knowledge is important starting from the beginning of your career."

The finding comes as no surprise to Bol, who has spent more than a decade studying compensation and performance appraisal in professional services firms. As technological advances have automated many of the tasks that entry-level professionals once performed, firms are now asking those employees to take on assignments with increasingly complex social dimensions.

"Let's say you're an auditor and you discover something is wrong," Bol says. "Do you go directly to the client? Do you call your manager back to the office after he's left for the day? Do you go straight to the partner? This is something that's very hard to teach as it depends not only on the technical aspects of the problem but also on the relationships between those involved."

Bol says her findings have a number of interesting takeaways. Businesses that value tacit knowledge in employees should consider making it part of their selection criteria and performance evaluations. Universities charged with preparing students to enter the workplace should consider incorporating in into curricula. And students should recognize that technical skills alone don't guarantee career success.

"Not to say you shouldn't go to the library and study," Bol says, "but you should also use your time at the university to develop a broader set of skills. You should really develop those presentation and teamwork skills and learn how to prioritize, even if there's no grade attached to it, because skills like those are going to be very important in your career."

Bol's paper, "The Role of Tacit Knowledge in Auditor Expertise and Human Capital Development," co-authored with Cassandra Estep, Frank Moers and Mark Peecher, is forthcoming in the *Journal of Accounting Research*.