Chapter 40

Knowledge Management and Entrepreneurship:
A Contradictory Recipe

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ABSTRACT

Most literature on knowledge management (KM) focuses on large firms – the domain in which KM was originally developed – and most KM literature on entrepreneurship focuses on entrepreneurial activities in post-revenue firms. The domain of the startup, however, is traditionally very different from these, characterized by a lack of tangible assets and validated value proposition. The authors review the literature on KM and entrepreneurship with a particular focus on young micro-enterprises that have yet to cross the "valley of death" stage of maturation. Using the Dynamic Knowledge Creation Process as a guide, they elaborate on the challenges facing the implementation of KM in startups, and on the subsequent opportunities for startup growth. Finally, the authors reflect upon research questions that may engage future researchers in proposing strategies that better integrate KM as a discipline into the fabric of entrepreneurship and the startup domain.

INTRODUCTION

The cliché "opposites attract" may have originated from physics but has since been adopted by the social, behavioral, and managerial sciences. When working in teams, diversity is generally heralded as the biggest strength to promote group innovation; successful leaders often choose their executive team by bringing in people with different attitudes and skills, and happy marriages have the power to merge different visions of the world into unison.

This contradictory merger seems to also characterize the relationship between entrepreneurship, defined as the process of innovation that brings new products and services to the market, and knowledge management (KM). Even when discussed from the perspective of dynamic knowledge creation (Nonaka and Takeuchi, 1995, Nonaka, Toyama et al., 2000) rather than from the codification and organization of a firm's knowledge-base, the knowledge management process of small enterprises is not swift enough to keep the pace with the demands of the competition. This is particularly puzzling as the force of new ventures feeds from innovation, know-how and discoveries that are at the heart of a successful knowledge spiraling process leading to higher levels of new knowledge. This paper investigates this contradiction.

We review the literature on KM and entrepreneurship, with a particular focus on micro-enterprises that have yet to cross the "valley of death" stage of maturation (Markham, Ward et al., 2010). Most KM literature focuses on large firms – the domain in which KM was originally developed (Wiig, 1997, Prusak, 2001) – and most KM literature on entrepreneurship focuses on entrepreneurial activities in large companies. An introduction to the dynamic theory of knowledge creation and its relevance and application in the field of entrepreneurship shows that knowledge socialization is the most mature knowledge stage in small enterprises. We focus on elaborating the opportunities for growth and the challenges of implementing KM in small organizations. Finally, we propose reflections and research questions that may engage future researchers in proposing strategies to better integrate KM into the fabric of entrepreneurship.

KNOWLEDGE MANAGEMENT AND SMALL ENTERPRISES IN THE LITERATURE

The number of papers published per year on knowledge management and the small and medium enterprise (SME) has been increasing linearly from almost none prior to 2000; an analysis of the publications cited in Cerchione, Esposito et al. (2016) indicates that the number of KM papers published in a given year on the SME is roughly that of the previous year plus one ($R^2 = 0.90$). In response to this growing interest on this topic, five reviews of this literature have been published in just the last four years (Durst and Runar Edvardsson, 2012; Edvardsson and Durst, 2013; Garbarino-Alberti and Pastorino, 2014; Cerchione, Esposito et al., 2016; Costa, Soares et al., 2016). These reviews agree that KM research has traditionally focused on the large company domain in which KM developed as a discipline, and only recently proceeded to address the domain of the SME.

KM has now been applied globally across many industry sectors – the Austrian tourism sector (Zehrer, 2011), legal language applications (Venturi, 2010), and production management (Berawi and Woodhead, 2005) to name just a few. However, only a few rigorous works exist in the literature relating KM to entrepreneurship. This could be due in part to the fact that entrepreneurial organizations typically have severely limited resources and many last only briefly, and consequently their ability and opportunity to implement KM practices before suffering the consequences of "knowledge mismanagement" are limited. In fact, one might say that the flat managerial structure and agile business processes characteristic

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