

# Chapter 3

## Knowledge Management and Entrepreneurship Research and Practice: Status, Challenges, and Opportunities

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### ABSTRACT

*A contentious merger seems to characterize the relationship between entrepreneurship, defined as the process of bringing new products and services to the market, and knowledge management. Even when discussed from the perspective of dynamic knowledge creation and innovation rather than from the codification and organization of a firm's knowledge base, the knowledge management process of new ventures often fails to keep pace with best practices. This is particularly puzzling as the competitive advantage of new ventures stems from exploiting tacit knowledge, which is at the heart of successful knowledge creation and management. This chapter investigates this contradiction and discusses challenges and opportunities to both the practitioner and the researcher.*

### INTRODUCTION

One could argue that the creation of knowledge in an organization is its most crucial activity. If true, an obvious problem arises in new ventures whose flat managerial structures do not have the resources, whether they be human, financial, or technological, to devote to the capture and arrangement of knowledge in the organization. If the creation and utilization of knowledge in an organization is so

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vital, how can a new venture survive until it has the resources and structure to effectively manage and use knowledge? Further complicating knowledge management (KM) in the new venture is the fact that some of the knowledge considered important early in the company's existence may not be relevant after pivots or changes to the business model.

In this chapter, we review the literature on KM and entrepreneurship. 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 new ventures. We then focus on opportunities for growth and the challenges of implementing KM in new ventures that have yet to cross the “valley of death” stage of maturation (Markham, Ward et al. 2010). Finally, we propose reflections and research questions that may engage future researchers in proposing strategies to better integrate KM into the fabric of entrepreneurship. An earlier version of this work appears in Bandera, Bartolacci and Passerini (2016).

## **KNOWLEDGE MANAGEMENT AND NEW VENTURES IN THE LITERATURE**

The notion of knowledge management in entrepreneurial companies is starting to garner an academic research focus. 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 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 the topic, five literature reviews have been published in just the last four years (Durst & Runar Edvardsson, 2012; Edvardsson & Durst 2013; Garbarino-Alberti & Pastorino 2014; Esposito et al. 2016; 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.

In spite of the above activity, few rigorous works exist in the literature relating KM to entrepreneurship. This could be due in part to the fact that new ventures are characterized by severely limited resources and low probability of survival, 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 of entrepreneurship are in direct opposition to the somewhat time consuming and structured processes traditionally associated with KM.

One of the few research works that examines KM and entrepreneurship was by Bembenek and Piecuch (2014), who looked at the impact of KM on the formation and growth of industry clusters. They defined various types of clusters including Marshalian, hub and spoke, satellite platform, and state-anchored, and related the necessity of KM for their development and success. If one considers an industry cluster as an entrepreneurial entity in which firms either achieve synergistic effects in a short period of time or risk disbanding (Gilbert, McDougall et al. 2008; Davies, 2009; Al-Mubarak & Busler, 2013), then this work sheds light on the importance of KM to entrepreneurship: organizational learning, which defines KM, can be accomplished within a cluster with the active transfer of information about such areas as contractors, clients, legal requirements, and potential collaboration among a cluster's membership.

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