

Chapter 3

Entrepreneurship and Growth in Knowledge Economy

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ABSTRACT

Come any age, it is the ecclesial and axiomatic belief that the only sustainable resource of comparative or competitive advantage is the knowledge and knowledge applications. In the current scenario, there is growing evidence, interest, and belief that knowledge will provide an unbeatable cutting edge to the entrepreneurs who want to establish and lead their business in this period. The challenge is that the realm and concept of knowledge is still complex, and its transfer and relevance to entrepreneurship is yet to be fully discovered and established.

The objective of this chapter is to highlight recent advances in our several understandings of such forces that underpin the creation of knowledge, the iterative knowledge loops, the knowledge economy itself, and the range of technologies used by the entrepreneurs leading towards knowledge diversification, specialization, and optimization resulting into growth of the overall economy.

In this chapter, contemporary explanation of growth, knowledge-based growth, and finally, an entrepreneurially driven growth model will be explored. Growth will be researched not only in terms of knowledge economy, but also in terms of knowledge, and economy in specific. Some of the recent knowledge based growth models also focus upon, namely, the effects of innovation in creation of new frontiers and firms, and more specifically, on firms exploiting various web technologies and business frontiers, inter-industry, and cross platform avenues. The chapter conceptually demonstrates the importance of knowledge as driver of growth, and concludes with the entrepreneurial leadership as the locus and paradigm of growth.

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INTRODUCTION

“That knowledge has become *the* resource, rather than *a* resource, is what makes our society post-capitalist.”

What Peter Drucker in 1993 said about knowledge is that it is the only reliable source of competitive advantage, holds true and buoyant even in this period of economic downturn. Knowledge should be given a strategic importance by all firms run on entrepreneurial scales.

It has been well acknowledged understanding that expanding the level of entrepreneurial activity has increasingly been more important for the economic well being of any country. In the current scenario, there is a growing interest that knowledge may prove to be the cutting edge to the entrepreneurs who want to establish their business in the period of downturn. Yet the realm of knowledge is complex and its relevance to entrepreneurship is yet to be fully developed. In this chapter an attempt has been made to draw on the literature from knowledge, knowledge economy and entrepreneurship and provide an understanding of how knowledge can be considered as the most important resource for entrepreneurs. First the concept of knowledge and entrepreneurship would be reviewed separately and then it would be integrated to come up with the concept of knowledge entrepreneurship towards the growth of the economy.

To remain competitive in today's market it requires rapid response to changes in the market based on sound business decisions. This is a challenge to entrepreneurs, who in this age need to take the help of technology to remain competitive. The main objective of this chapter is hence to highlight the recent advances in our understanding of the forces that underpin the creation of knowledge, the knowledge economy and further development of knowledge by the entrepreneur leading towards growth of the overall economy.

BACKGROUND

Of Knowledge and Knowledge Economy

If we consider the economic evolution over the ages, we can find the civilization beginning with the agriculture based economy. Gradually, it moved up to the industrial age which brought in great shift in the economy with the concepts of mass production, global trading, franchising, branding, customization and so on. With the onset of internet, came the information age, where the clients and customers had easy access to information and knowledge. So it was difficult for any entity to remain isolated from competition. Through evolution, the present age has been rightly called the Knowledge Economy which is about the organizations' sustainable ability to utilize the readily available resources to create value for the organizations as well as for the society.

The rise in information accessibility and technology during the last decade has helped economies move from physical resources towards resources which are knowledge based. But it is not just IT which has helped economies move towards knowledge but also the organization which has adapted more innovative approach towards its gainful processes and through intellectual sprawls. It is much about innovative approaches, investment and excellence through learning and knowledge sharing which has helped in the process of globalization and leading to what we call the Knowledge Economy. And so, the Knowledge Economy is fundamentally different from the preceding Industrial Economy or the Agrarian Economy because its core value is related to bytes, not bits—in the form of customized, applied information or more specifically custom knowledge. With the dramatic increase of available knowledge resources and with almost unlimited capacity of databases (Rifkin, 2000), the critical question has become: what should be selected and what should be ignored which means majority of

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