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# **ROLE OF KNOWLEDGE MANAGEMENT ENABLERS IN FOSTERING CORPORATE ENTREPRENEURSHIP: A CONCEPTUAL FRAMEWORK**

Ishaq O. Oyefolahan, P. D. D. Dominic

## **ABSTRACT**

This paper examines the influence of organizations preparedness for knowledge management (KM) in terms of proper positioning of KM enablers on corporate entrepreneurship development. The need and importance of competitive advantage and its sustainability for organizational survival in today's economy has been the focus of both corporate entrepreneurship (CE) and knowledge management (KM). Despite having the same focus, little research have attempted to elucidate how both areas of researches corroborate each other in organization's attempt to create distinctive edge in their business functions. However, a critical look at literature points to the fact that organization's effort in leveraging their knowledge assets rest on some organizational attributes, which are also seen to be the drivers in the development of corporate entrepreneurship. Therefore, this paper proposes a conceptual framework that will be used in an empirical study to test the relationship between enablers of knowledge management practices in organizations and the fostering of entrepreneurial capabilities among organization members.

**Keywords:** Knowledge Management, Corporate Entrepreneurship, Organizations, Culture and Structure

## **1.0 INTRODUCTION**

Entrepreneurial capability has been identified not only as a means of addressing the complexity and dynamism of present day business, but also a necessity for corporations willing to achieve competitiveness and the sustainability of competitiveness. Entrepreneurship as a multi-dimensional construct involving innovation, venturing and strategic renewal of activities (Guth and Ginsberg, 1990; in Hayton, 2005) is an economic attribute that is not limited to individuals engaging in personal businesses, but also includes individuals who are employed in organizations and are contributing to their organization's competitive actions (Schumpeter, 1934). This description of entrepreneurship by Schumpeter set the stage for the consideration of entrepreneurship as an organization attribute that can be achieved via the enablement of entrepreneurial dispositions among organization members.

The development of entrepreneurial skills particularly in organizations, have been tied to the need for proper articulation of corporate knowledge in terms of exploitative and explorative learning (Hayton, 2005). Exploitation and exploration have both been connected with learning and innovation (Gupta et al, 2006) and are differentiated by the path to innovation which could either be incremental or schumpetarian (radical) respectively (Palacios et al., 2009). Both exploitative and explorative innovations have their bases tied the concepts of strategic renewal and innovation in entrepreneurship respectively (Hayton, 2005).

For organizations to be capable of strategic renewal via exploitation and innovation via exploration so as to be able to sustain competitive performance, the needs for learning, improvements and acquisition of new knowledge are very important (Guptal et. al., 2006).

According to Hayton (2005), “corporate entrepreneurship involves organizational learning, driven by collaboration, creativity and individual commitment”. Similarly, the four dimensions of knowledge management processes which are creation, storage, sharing and application (Alavi, 2001) involve the symbiosis of both exploitative and explorative learning and depend on individual commitment, mutual collaboration, innovative or creative environments as well as technological tools facilitating collaboration (Lee and Choi, 2003; Oyefolahan and Dominic, 2010). Therefore, an environment conducive for the exchange and integration of knowledge through collaboration, development of social, human and intellectual capital will contribute immensely in fostering entrepreneurial skills among individuals in organizations.

While the inter-relationships between the fostering of entrepreneurship and KM in organizations are acknowledged, research works exploring these two areas of research, particularly on how efforts in one influence the other appears scanty. KM researchers have identified a number of antecedents necessary for the implementation of KM to be successful. Therefore, it is conceived that efforts garnered towards the effective practise of KM will be of significant importance in fostering entrepreneurship traits or capabilities in organizations.

## **2.0 LITERATURE BACKGROUND**

### ***2.1 Corporate Entrepreneurship***

According to Kuratko (2009), most researchers have the consensus that CE “refers to entrepreneurial activities that receive organization sanction and resource commitment for the purpose of innovative results”. In its earliest conceptualization, entrepreneurship was a concept that focused solely on the economic role of entrepreneur, and as mentioned by Stevenson and Jarillo (1990), Cantillon described entrepreneurship as “bearing the risk of buying at certain prices and selling at uncertain prices”. This perspective focuses only on independent businessmen who engage in business transaction by taking decisions amidst uncertainty (Mcmullen & Shepherd 2006). As noted in some recent entrepreneurial studies, Schumpeterian description of entrepreneurship as the functions of individuals engagement in new combinations for the purpose of innovation irrespective of whether an individual is on his/her own or is an employee in an organization broadens the concept of entrepreneurship and advanced the need for organization which is a collection of individuals to see itself as a system that incorporates entrepreneurial orientations.

Further, Stevenson et al. (1990), described entrepreneurship as a psychological characteristic of individuals- “either on their own or inside an organization”- that drives their engagement in entrepreneurial activities. Thus, the desire to inculcate entrepreneurial characteristics into organizations lays the ground for Corporate Entrepreneurship (CE). This conceptualization has been followed by more research works which have linked entrepreneurship to concepts such as innovation and growth, informed knowledge about market imbalance and the ability to identify and eliminate inefficiency in a business system (Cole, 1968; Kirzner, 1979; Leibenstein, 1968 in Stevenson et al., 1990). Corporate entrepreneurship is said to be born out of the recognition that the traits of entrepreneurship are also desirable in large organizations (Stevenson et al., 1990). As a result, corporate entrepreneurship management arose and is said to be departed from traditional management because it entails higher level of uncertainty as well as high intensiveness in knowledge (Kanter, 1985 in Hayton, 2005). Thus, an attempt for corporations to develop or improve its corporate entrepreneurial skills has to be based on rich knowledge which are shared and applied collectively.

## ***2.2 Corporate Entrepreneurship and Knowledge Management***

The role of CE in supporting organization quest for sustainability of competitive advantage has been attributed to continuous generation and exploitation of new knowledge (Hayton, 2005). These challenges of uncertainty and knowledge intensiveness demand a constant need for acquisition and internalization of new knowledge (Hayton, 2005). Further, CE is also said to require coordination through mutual adjustments rather than command and control, structural rearrangement such as authority de-centralization and participative decision making. Empirical studies have found team based practices, functional integration and internal training to be associated with innovation as an aspect of CE (Laurson, 2002, in Hayton, 2005). These findings emphasised the interrelationships between entrepreneurship and KM

Fostering corporate entrepreneurship requires organization's capability to learn from the exploitation as well as the exploration of existing and new knowledge respectively (Pandey and Sharma, 2009). Further, the sustenance of competitive edge is supported by corporate entrepreneurship "through the generation and exploitation of new sources of knowledge" (Hayton, 2005). Some organizational attributes found to be fostering KM practices have also been mentioned to be essential for CE. Among these are: structure that lay emphasis on the decentralization of authority, avoidance of bureaucratic bottleneck and culture that encourages participative decision making, propensity for risk taking and creativity or innovation (Luchsinger & Bagby, 1987 in Hyaton 2005). Therefore, the influences of organization culture and structure as enablers of effective KM practice on the fostering of entrepreneurial dispositions in organizations are explored in the next section.

## **3.0 CONCEPTUAL DEVELOPMENT**

### ***3.1 Culture***

Cultural orientation has been mentioned to be crucial to entrepreneurship (Lee & Peterson, 2000). According to Berger (1991, p. 122) "It is culture that serves as the conductor, and entrepreneur as the catalyst (to entrepreneurship). The development as well as the undertaken of entrepreneurship in organizations demands that organizations have entrepreneurial orientation (EO) which requires that a firm or corporate is able to act independently, encourage experimentation, take risk, take initiatives and compete aggressively among rivals (Lee & Peterson, 2000). Akin to national entrepreneurial development, the role of culture in either promoting or hindering these entrepreneurial attributes has made culture an important aspect to be considered in efforts at fostering entrepreneurship in organization.

Similarly, the management of organization knowledge has been argued to be largely dependent on the existing culture. The emergence of knowledge as a driver for competitiveness has called for the nurturing of organization values, norms and beliefs in ways that augment the use of knowledge for gaining competitive advantage. Organization values, norms and beliefs otherwise known as culture (Sveiby and Simons, 2002) has been described in various terms. Among these cultural orientations are; the culture of openness, supportiveness, shared values, collaboration, trust and learning (Gold 2001; Lee & Choi, 2003; Alavi 2005). Therefore, organizations cultural preparedness for knowledge management is viewed in terms of availability of culture that is based on trust, openness, support, collaboration and promotion of learning.

The exchange of knowledge among organization members is crucial to the creation of new knowledge, development of initiatives and shared vision. Collaborative culture emphasised on the need for organization members to actively aid one another in the execution of business activities. Collaborative culture encourages experimentation and the development of shared cognition "about an organization's internal and external environment through supportive and reflective communication" (Lee & Choi, 2003), similarly, an open and supportive culture allows for free flow of information/knowledge which are important for the identification of entrepreneurial opportunities and the improvement of shared understanding. According to Alvarez and Busenitz (2001), for an individual to be able to demonstrate entrepreneurial spirits, his knowledge bandwidth must span

beyond a specific domain. Thus collaboration has become a medium of combining different specific knowledge to a general one that enables individuals the cognition to engage in entrepreneurial activities.

Further, trust as a cultural value which translates for lack of fear in a collaborative environment and facilitates open and rich exchange of knowledge. When a collaborative culture lacks trust, what will be exchanged in terms of knowledge will be devoid of quality. Thus, trust helps to “encourage a climate conducive to better knowledge creation by alleviating the fear of risk” (Lee & Choi, 2003), and promotes the sharing of knowledge (Sveiby and Simon, 2002). Learning culture also play important role in the exploitation of existing knowledge and the exploration of new ones. Learning culture is important because of its tolerance for mistake and the recognition of individual’s cognitive limitations as well as its promotion of collaboration as a means for knowledge creation and sharing. The rate at which individuals are willing to share their insights and experience in organizations determines the flow of knowledge stock and how organizational knowledge asset grows (Harlow 2008). Consequently, the improvement in knowledge stock coupled with the environment that allows for collaboration and experimentation provides individuals with the cognition, confidence and propensity to engage in innovation, venturing and strategic renewal (Hayton, 2005). Thus, the following hypotheses are formulated:

**H1:** The level of KM supportive culture in an organization is positively related with individual’s level of innovative engagements

**H2:** The level of KM supportive culture in an organization is positively related with individual’s level of propensity towards risk taking or venturing

**H3:** The level of KM supportive culture in an organization is positively related with individual’s capability for strategic renewal

### **3.2 Structure**

The fact that organization structure plays a very prominent role in either encouraging or hindering KM efforts (Nonaka & Takeuchi 1995) as well as in CE development (Luchsinger & Bagby, 1987 in Hayton, 2005) makes its consideration important. While formalization and centralization of organization structure may be intended to give a clear description of individuals or units responsibilities within an organization, its unintended outcomes may be an hindrance to collaboration and sharing of know how among individuals or units (Gold et al., 2001). Organization structure which has been categorized along the formalization, centralization and integration dimensions in different research works (Huang & Chen, 2007) plays important roles in eliciting the needs for communication and collaboration among employees.

Organizations that have explicit rules to be strictly followed are said to be formal in structure. Formalization in organization makes employees to be rigid in carrying out their daily tasks and does not allow for the consideration of alternative approaches; even when the explicitly spelt procedures are obviously incapable of addressing the problem at hand. In such organizations, the room for communication, collaboration and learning hardly exists, as such; the flexibility and speed needed for intra-organizational innovation is hampered (Huang & Chen, 2007). On the other hand, in organization with little emphasis on rules and procedures, employees behaviour to daily tasks is relatively unstructured (Huang & Chen, 2007) and give workers the freedom to exploit their experiences and at same time able to collaborate with colleagues. The freedom to exploit personal experience and the engagement in social interaction enabled by collaboration will undoubtedly influence organization member’s entrepreneurial cognition and the courage to explore opportunities whenever sensed. Therefore, in organizations where work processes are less formalized, organization member’s ability to collaborate and use personal judgements at work will foster corporate entrepreneurship through improvement in individual entrepreneurial cognition and innovative capability.

A centralized organization places decision making authority solely on the higher level of hierarchical relationship (Huang & Chen, 2007). The dynamic and competitive nature of present day business does not only require skilled and experienced workers, but also require environments where such workers have “greater autonomy and self-regulation” (Huang & Chen, 2007). In a less centralized organization, knowledge workers will have more freedom to collaborate and use self-discretion based on their expertise and experiences. According to (Pertusa-Ortega, et al, 2010), “freedom of action will encourage employees to create and apply new knowledge”. Therefore in a decentralized organization, the participative as well as the autonomous environment will increase communication, interpersonal exchange and innovativeness among employees.

Integration refers to the structuring of organizations in terms of how subdivisions are designed to be interrelated. Organizations with integrative work structure give room for learning and collaboration (Huang & Chen, 2007), and consequently aid innovation and broadens member’s knowledge. In sum, organizations with less formalization and centralization and strong integration among units or departments tends to be more innovative by fostering individuals and groups freedom in terms of determining how tasks should be executed. Thus, the following hypotheses are formulated:

**H4:** The level of KM supportive structure in an organization is positively related with individual’s level of innovative engagements

**H5:** The level of KM supportive structure in an organization is positively related with individual’s level of propensity towards risk taking or venturing

**H6:** The level of KM supportive structure in an organization is positively related with individual’s capability for strategic renewal

## 4.0 SUMMARY

The proposed hypotheses given in this paper provides the opportunity for further research investigation on the interrelationship between knowledge management in organizations and the development or improvement of CE. While lots of research has been conducted on organizational entrepreneurship and knowledge management, empirical studies exploring the relationships between organizations readiness for KM in terms of social factors and the fostering of CE are rare. This paper extends the scope of past studies by suggesting that organizations level of corporate entrepreneurship may be explored to measure the level at which such organization is ready for KM. By employing the qualitative enquiry approach to get a better idea about the propositions, then research instruments can be developed to empirically test the hypotheses presented in the paper.

By enhancing the understanding of how KM efforts could advance organization’s aspirations towards entrepreneurial orientations and consequently fostering entrepreneurships, it is hope that the framework will be of interest to the practitioners. Similarly, it is hoped that the academic community would find it interesting to conduct research works to validate or refute the research propositions presented in the paper.

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