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THE KNOWLEDGE-BASED APPROACH TO ENTREPRENEURSHIP: Linking the entrepreneurial process to the dynamic evolution of knowledge

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Abstract

Finding an appropriate conceptual framework for the field of entrepreneurship has been the goal of many researchers in the last decade or so. The most promising recent approach is based on the concept of *opportunity*. The question that arises is whether this approach really provides the definitive way of conceptualising the field of entrepreneurship. Reviewing the theory behind the opportunity-based approach, certain weaknesses can be identified: First, the opportunity itself cannot explain the entrepreneurial process – the fundamental and elementary factors that stand behind the opportunity do this. Second, opportunity-based frameworks only describe the entrepreneurial process up to the point where the opportunity is about to be transformed into an actual new business. They fail to account for the time after the initial exploitation of the opportunity. Third, there is still disagreement among scholars if opportunities are made or found, i.e. if mostly *exogenous* or *endogenous* factors explain the entrepreneurial process.

It seems that the definitive conceptual framework for the field of entrepreneurship has not yet been found, and therefore a different approach is suggested: Advocating a knowledge-based perspective on entrepreneurship, the paper proposes to define entrepreneurship as a function of *knowledge* and *attitude*. Additionally, it describes the entrepreneurial process – from the venture idea to the newly formed business's strategic success – as the development of knowledge following Boisot's (1998) *Social Learning Cycle* within the *Information-Space*. Linked to these insights is the claim that *Schumpeterian learning* contributes to the success of a newly found business. The aim of the paper is to show that explaining the entrepreneurial process by looking at the *dynamic evolution of knowledge* leads to a more comprehensive and exact picture of the entrepreneurial phenomenon.

Knowledge as a property of agents is the enabling force upon which the concept of opportunity, the concept of the individual and the entire entrepreneurial process are based on. In addition, the agent has to have a critical attitude in order to execute the whole entrepreneurial process. The six phases of the *Social Learning Cycle* (SLC) perfectly portray the new venture creation and development process. The SLC not only describes how the knowledge surrounding the new venture idea evolves and how that knowledge is finally transformed into a business, but also enables us to look beyond the preliminary stages of venture creation. Developing knowledge is an important precondition for further growth of an entrepreneurial company and a way to stay ahead of competitors. Therefore, the new business has to commit itself to *Schumpeterian learning*.

In addition to that, the paper shows that by describing the entrepreneurial process based on the SLC as the development of knowledge, it is actually possible to bring together the two opposing views on the concept of opportunity (discovery vs. enactment): More *exogenous* factors influence the beginning of the entrepreneurial process, whereas individual or collective *endogenous* entrepreneurial activities create opportunities after the venture idea gets diffused. Additionally, environmental forces account for whether a new venture idea is realised within the boundaries of an established company or as a new independent business.

This research project provides several implications for entrepreneurship theory. By exploring the entrepreneurial process – its underlying factors, dynamics and stages – and linking it to the dynamic evolution of knowledge, this paper contributes to the general hunt for the ultimate conceptual framework for the field of entrepreneurship. In addition, a possible solution to the ongoing debate about the nature of the concept of opportunity is proposed. Additionally, the research contributes to the knowledge management literature, as Boisot's (1998) theory is applied to the entrepreneurial context. The results also have implications for the practice, teaching and public policy of entrepreneurship.