



Promoting entrepreneurial orientation through the accumulation of social capital, and knowledge management



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ABSTRACT

Management scholars and tourism practitioners emphasize the importance of knowledge management to and social capital of medium and small vendors' entrepreneurial orientation. Constraints on medium and small vendors' time and energy suggest that accumulating social capital is helpful to enhance knowledge management. Furthermore, how and why medium and small networks contribute to entrepreneurial orientation deserves further investigation. In this study, we offer hypotheses to shed insight on the interrelationships among critical attributes of social capital and further test the mediation role of knowledge management that may contribute to entrepreneurial orientation between medium and small vendors. We tested our hypotheses using data collected from 286 medium and small vendors in night markets located in different regions of Taiwan. Study findings identified different relationships among social capital, confirming our hypothesis that social capital affects knowledge management and its application. We further demonstrate that social capital and entrepreneurial orientation are fully mediated by knowledge management. Implications for future research on tourism industry management and medium and small firms' managers are discussed.

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1. Introduction

In recent years, tourism and hospitality studies have begun to emerge regarding the ways in which organizations use intangible resources to undertake risk, beat competitors and gain growth (Chathoth and Olsen, 2003; Cohen and Olsen, 2013; Hsu et al., 2014). Thus, exploring the importance of intangible resources in organizational operations has gained increasing attention in the field of tourism and hospitality management. The characteristics of intangible resources have been described as representing valuable, rare, inimitable, and non-substitutable means of achieving superior performance (Barney, 1991). Intangible resources are widely recognized as knowledge-based resources (McEvily and Chakravarthy, 2002) and social capital assets (Adler and Kwon, 2002) that are particularly important for providing a sustainable competitive advantage because those intangible resources have distinctive character-

istics that are difficult to imitate, thus facilitating sustainable differentiation in highly competitive markets. Therefore, given that knowledge management and social capital have become central to small and medium firms' ability to compete, adapt, survive, and grow in increasingly competitive environments (Jansen et al., 2013; Simsek and Heavey, 2011), tourism and management scholars have begun to show greater interest in their origins.

Entrepreneurship scholars have attempted to use intangible resources that firms maintain to explain performance by investigating entrepreneurial orientation (EO) (Getz and Petersen, 2005; Wiklund and Shepherd, 2003). Especially in service industries, small and medium-sized enterprises (SMEs) face increasing pressure from global competition and other nations (Kraus et al., 2012). With the increasing importance of entrepreneurial orientation, researchers have examined the social capital impact of firms' entrepreneurial orientation and new venture performance (e.g., Stam and Elfring, 2008). Often, they have had to rely upon new ventures or high technology firms to infer these traits. Moreover, rarely have studies investigated facets of social capital together; even when studies have mentioned these, they treat entrepreneurial orientation and social capital as separate variables with no discussion of their interrelationships (Stam and

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Elfring, 2008). Thus, identifying situations under which interrelationships improve or constrain entrepreneurial behavior and performance is particularly important, especially in the tourism industry; understanding the experiential phenomena will permit tourism managers and industry policy makers to better implement strategy.

In this research, we provide a theoretical framework based on social capital–knowledge management–entrepreneurial orientation theories of vendor behavior that may resolve this dilemma. We specifically develop the argument that although a vendor's social capital creates the opportunity to engage in knowledge management, the vendor needs to acquire diverse knowledge and application know-how to fully exploit entrepreneurial orientation. An important implication of this argument is that different dimensions of social capital affect the internal functioning of organizations (Tsai and Ghoshal, 1998) and, more specifically, a high level of knowledge diversification and application provides the vendor's motivation and ability to engage in entrepreneurial orientation. To the extent that research on social capital in entrepreneurial orientation has dealt with interpersonal relations, it has typically either been assumed to be endogenous to network structure (Liu, 2013; Tsai and Ghoshal, 1998) or an independent predictor (De Clercq et al., 2013; Stam and Elfring, 2008; Wu et al., 2008). In contrast, we argue that vendors' knowledge management of diverse knowledge acquisition and application know-how mediates the link between social capital and entrepreneurial orientation, revealing that different types of knowledge management function are not equally efficient in promoting entrepreneurial orientation behavior.

We further examine whether the mediating role of knowledge management is contingent upon how vendors apply new knowledge to new product or service development, two key predictors of knowledge management, knowledge diversity and application that have been identified (Dalkir, 2013; Ramesh et al., 2002; Tenkasi and Boland, 1996). A few studies have addressed the role of knowledge management in the acquisition of diverse knowledge and the application as a mediator of the relationship between social capital and entrepreneurial orientation; however, they focused on levels above that of small and medium sized vendors, such as high-tech venture enterprises or organizations. Thus, little is known about vendors' knowledge management behavior and the role of knowledge diversity and application in entrepreneurial networks in surviving and growing in the highly competitive environment of Taiwanese night markets. As a final distinct contribution, we specifically test hypotheses pertaining to both the application and diversification of knowledge. In contrast, most entrepreneurial literature on knowledge management focuses on the dimension of knowledge sharing (notable exceptions are Murray (2004) and De Clercq et al. (2013)). Nevertheless, studying multiple dimensions of knowledge management simultaneously may reveal important similarities and differences in vendors' motivation and behavior that connect social capital and entrepreneurial orientation.

Extant research acknowledges network structure as a predictor of entrepreneurial orientation (e.g., Kreiser, 2011; Stam and Elfring, 2008; Wang and Altinay, 2012), but it remains incomplete in the sense that it has not shed much light on the interrelationships of these dimensions; using a sample of tourism managers is never observed in existing studies. We fill this void by showing that employees who, by virtue of their social capital, may increase entrepreneurial orientation if they possess adequate diverse knowledge and application know-how in new product and service development. Fig. 1 presents the research framework and the proposed hypotheses of this study.

2. Hypothesis development

2.1. Social capital

Social capital refers to resources derived from social relationships (Payne et al., 2011, p. 491). Nahapiet and Ghoshal (1998) defined social capital as a valuable asset of individual network structure and synthesize it into three main dimensions: cognitive, relational, and structural. In the tourism field, social capital emphasizes evaluation of values, interaction with customers or visitors, development of shared norms with cooperative partners, and mutual trust and reciprocity, which in turn leads to desired performance (Jones, 2005). Some microenterprises, such as hawkers, often struggle to make enough money, such that social networking and capital building are particularly important to develop new business contacts (Donner, 2006). The core idea of social capital as a "lubricant" is predictive of perceptions of tourism and hospitality stakeholders (McGehee et al., 2010, p. 487). Previous tourism and hospitality studies asserted that social capital concepts are especially useful in explaining small- and medium-sized tourist enterprises' success, because of networking relationships, reciprocity, trust, and social norms as marketing tools to develop and strengthen the competitiveness of their organizations (Tinsley and Lynch, 2001; von Friedrichs Grängsjö and Gummesson, 2006). Park et al. (2012) explained social capital as part of an entrepreneurial spirit, which, in regard to the community, contributes social exchange, compensation, and cooperation either collectively or independently for operational leadership. Hu and Racherla (2008) further argued that a certain level of socialization and trust is required to allow for the effective sharing of knowledge between tourism managers and owners, which is difficult to codify. Hence, strong interactions and reciprocity among members are critical for supporting and sustaining a competitive advantage in the tourism and hospitality industry.

Because of differing emphases of social capital, in this study we adopt Nahapiet and Ghoshal's (1998) three-dimensional classification of social capital: structural, cognitive, and relational, which has previously been adopted in existing studies (e.g., Burt, 2000; Ellison et al., 2014; Tsai and Ghoshal, 1998; van den Hooff and de Winter, 2011). The relational dimension refers to the degree of interaction and the quality of social relations (Jones, 2005). Park et al. (2012) understood quality of social relations as an asset of individuals or small groups, which could be used by its owner to gain access new customer contacts through an existing customer. The structural dimension refers to network ties, configuration, stability between actors (Inkpen and Tsang, 2005), and network roles, rules, and precedents (Krishna and Shrader, 2000), thus it relates to maintaining close social relationships with customers (von Friedrichs Grängsjö and Gummesson, 2006). The cognitive dimension covers norms, value evaluation, network member attitudes and reaction, beliefs (Krishna and Shrader, 2000) or perceptions of organization support, reciprocity among members, information sharing, and mutual trust. Therefore, it relates to keeping promises. In this paper, we seek to understand how each dimension of social capital affects entrepreneurial orientation through knowledge management.

2.2. The interrelationships among social capital

The structural dimension of social capital manifests as network ties (Yli-Renko et al., 2001) that reflect social relationships between vendors and their key customers. In the service and tourism industry, keeping key customers relationships is particularly important because key customers provide the focal firm access or introductions to a broader marketplace or set of customers (McEvily and

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