ENTREPRENEURIAL VERSUS MARKET ORIENTATION AND THE CREATION OF TACIT KNOWLEDGE (INTERACTIVE PAPER)

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ENTREPRENEURIAL VERSUS MARKET ORIENTATION AND THE CREATION OF TACIT KNOWLEDGE

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Principal Topic

The competitive landscape typified by intensifying competition, time compression, and disruptive change places an increasing pressure on firms to more effectively obtain, manage, and make sense of tacit knowledge in order to survive and be competitive. Tacit knowledge is that is not easily described, or transcribed, and must be contextually grounded to be understood (Polanyi, 1967). A firm can have an entrepreneurial or a market orientation. An entrepreneurial orientation is one where top managers are proactive, inclined to take risks, and favor change. A market orientation means that the firm concentrates on customer needs, the creation of products that create superior value, and building long-run mutually beneficial customer relationships (Narver & Slater, 1990). Research has found that both market and entrepreneurial firm orientations are positively associated with firm performance. However, their association to tacit knowledge creation needs to be fully explored. We postulate that an entrepreneurial orientation should be more related to tacit knowledge creation than a market orientation. Further, drawing upon the contingency approach and the knowledge-based view of the firm, we examine the moderating effects of hostile versus benign environments on the direct effects between entrepreneurial and market orientations with tacit knowledge.

Method

Data for this study was collected from five Spanish high-technology industries with at least 10 employees. We used a hierarchical regression analysis to test our hypotheses. The results show that while an entrepreneurial orientation is positively related, and market orientation is negatively related, to a firm's tacit knowledge. With regard to moderating effects, we find that in benign environments the relationship between a firm's market orientation and tacit knowledge becomes more strongly negative than in hostile environments. However, environmental hostility has no moderating effect on the relationship between a firm's entrepreneurial orientation and tacit knowledge.

Results and Implications

The positive relationship between entrepreneurial orientation and tacit knowledge has important implications for theory and practice. Taking risks and being proactive are the result of internally created mindsets often associated with tacit knowledge. Alternatively, market oriented firms generally develop more explicit knowledge systems since they need to deconstruct customers need patterns and be responsive to them. However, in the long term, if they are only focused on explicit customer needs, they run the risk of not internally developing new knowledge that pushes the frontier of existing. This could result in entrepreneurially oriented firms having an edge over market oriented firms.

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