

ENTREPRENEUR KNOWLEDGE: THE CONCEPTUAL FRAMEWORK

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Abstract

The aim of this research is to give the conceptual idea of needed knowledge for entrepreneurs in managing the business. There are some different perspectives toward entrepreneur, some opinion state that the most important thing for an entrepreneur is the ability to execute the business idea while other stated that the planning is important as well. A qualitative study has been conducted to identify the knowledge needed by entrepreneurs to run their business. This study conducted a literature review to find out the needed knowledge for an entrepreneur. This study finds out, there are four dimensions of entrepreneur knowledge which are explicit knowledge (functional knowledge) and tacit knowledge (skill). These dimensions were identified by using various literature.

Keyword: entrepreneur, knowledge, business

INTRODUCTION

An entrepreneur is often perceived as someone who plans and execute business idea into a business activity. The focus of research on entrepreneurs usually related topics that relate to characters that need to be owned by an entrepreneur, how to find capital, networking, and other aspects. Somewhat rare studies that examined the associated knowledge needs to know and is owned by the entrepreneur.

There is a generally accepted understanding that the entrepreneur does not necessarily require knowledge in running the business. Knowledge needed by groups of people whose professions related to academics or other positions such as doctors, lawyer, and other professionals. Therefore, there is a perception that is accepted by most people in Indonesia that to become an entrepreneur (entrepreneur) is not required higher education.

Many college graduates in Indonesia who wish to work in another company after graduating from college. Somewhat rarer than those who want to become entrepreneurs, this is due to the perception "that it is not necessary to become entrepreneurs through higher education". This is confirmed by a few words of Indonesian entrepreneur Bob Sadino like "fools usually braver than smart people" that describe: the knowledge that he has, a knowledgeable lot of (smart) did not dare to do business. Other words are "smart people think already know many things, that he forgot to sales". Those phrases are accepted by the people who hear and perceive that to be an entrepreneur is not required to have knowledge because knowledge actually makes someone afraid or hesitant in executing the business. In contrast, several studies have shown a positive correlation between the knowledge of a person with a performance in

the occupied areas. Therefore, this study focuses reviewing the literature related to the type of knowledge that needs to be owned by an entrepreneur to be able to run their business better so that businesses run capable of evolving.

LITERATURE REVIEW

Knowledge is essential for a company because it serves as one of the internal resources that enable the company to perform optimally (Barney, 1991). It is also particularly relevant to the highly competitive nature of present time business competition which comes as a result of aggressive globalization and information technology advancement. This condition applies to all kinds of company, including small medium companies (Omerzel & Antoncic, 2008). According to Davenport & Prusak, 2000 in Awad and Ghaziri (2004), knowledge is defined as “a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information.” Meanwhile, according to Leonard and Sensiper (1998), knowledge is relevant and usable information obtained from experienced. People use knowledge to minimize the uncertainties in life (Beijerse, 1999). According to Mincer (1974) in Lopes (2012), a man’s knowledge is formed in his early school years and experiences. Barker III and Mueller (2002) support this statement by

saying that a person’s knowledge depends on his education and experiences. The learning perspective suggests that the more knowledge a person has, the more capable that person is in making associations and solving problems effectively and accurately (Cohen & Levinthal, 1990); (Eisenhardt & Martin, 2000). The success of a company often depends on the amount of knowledge possessed by the company’s owner or key figure, as stated by Hambrick & Mason, 1984 in (Omerzel & Antoncic, 2008).

Knowledge is generally classified into two parts. This classification is first conceptualized by Michale Polanyi. The first type of knowledge is the “know-what” knowledge, or often referred to as explicit knowledge. This knowledge is documented and well-archived; and therefore, easier to access and share. The second type of knowledge is the “know-how” knowledge, or often called as tacit knowledge. The nature of this knowledge is relative; and therefore, harder to explain and share with other people (Polanyi, 1966) in (Crook, Combs, Todd, & Woehr, 2011). Explicit knowledge is defined as a person’s knowledge on a particular topic. This knowledge is often obtained by participating in an educational program or training, reading books, and watching the news. On the other hand, tacit knowledge is defined as a person’s skills in doing something. This knowledge is normally obtained from intense

training and sufficient knowledge. Therefore, in order to obtain tacit knowledge, a man has to try things out by himself or observe people who do them. The two knowledge type complement each other, while creatively interact and affect one another when used (Beijerse, 1999). This research will focus on two types of knowledge they are explicit and tacit knowledge.

Explicit Knowledge

Explicit knowledge is associated with business management knowledge. Generally, explicit knowledge is obtained through formal and informal education. The nature of this knowledge is mostly objective, rational, and technical. It can be articulated as certain knowledge or understanding that comes from written or spoken sources. Explicit knowledge can be classified, therefore, it is easier to document and is more accessible to the public.

The nature of this knowledge is mostly objective, rational, and technical. It can be articulated as certain knowledge or understanding that comes from written or spoken sources. An example of explicit knowledge in an organization is how employees understand certain job procedures. Explicit knowledge can be classified, therefore, it is easier to document and is more accessible to the public.

Tacit Knowledge

Tacit knowledge indicates the person's ability to do certain tasks. Woolliscroft, Relich, Caganova, Cambal and Sujanova (2013) define tacit knowledge as "a very personal understanding." Every employee in the same company may experience similar or the exact same incident, and yet, they may interpret it differently. It all depends on the competence and experience of each employee.

The root of tacit knowledge is the individual's action and commitment in certain contexts, such as discipline, professionalism, utilized technology, work group activities, or the team culture of a department. Tacit knowledge contains technical skills that are mostly obtained informally. Therefore, it is hard to define or teach the subject to other people without their personal experience. Such skill can be perfectly understood after the individual experiences the subject. Polanyi (1966) in Beijerse (1999) states that personal or tacit knowledge is extremely important for human cognition, because man actively seeks knowledge through creation or co-creation process and processes the information using his own experience.

DISCUSSION

Based on the literature review that has been done, it is understood that there are two types of knowledge that is explicit and tacit knowledge. Explicit knowledge is the type of

knowledge that can be documented. According to Beijerse (1999), the explicit knowledge that needs to be owned by the entrepreneur, is the knowledge related to the business management, namely: protection of industrial and intellectual property, logistic related to the business; quality assurance, marketing, regulation of doing business, strategic management, organizational management, customer relations, human capital management, and financial. In conclusion, it can be said that explicit knowledge needed by entrepreneurs is knowledge related to business management both internal and external. The internal knowledge includes knowledge related to business functions such as marketing, financial, operational and human capital and quality assurance. External knowledge needed are government regulations related to its business, the protection and the relationship with the customer.

The knowledge is also known as functional knowledge means the knowledge necessary according to its function. In this case, knowledge will be useful to entrepreneurs when they manage their business. This is in line with the four functions in a business that is marketing, finance, operational and human resources. Those functions are basic functions in running a business. Having knowledge related to it, an entrepreneur will be able to prepare better plan and execute it effectively. In addition,

knowledge of quality assurance is required, especially for manufacturing enterprises. Entrepreneurs also need to have relevant knowledge of industry insights. In addition, knowledge of the rules and regulations related to the industry in which the business operates. Ownership of knowledge in the field will enable an entrepreneur to identify opportunities that can be exploited or things that should be avoided so that the business does not violate any applicable laws

As entrepreneurs need to own the explicit knowledge, they need tacit knowledge as well. Tacit knowledge needed by entrepreneurs in doing business are the skill, such as managerial skill, technical skill related to their business, communication, presentation, analytical/critical thinking, ability to see the big picture toward the company vision, building the relationship, influencing other, managing time and executing plan.

Tacit knowledge or skills needed by the entrepreneur to be effective in managing the business quite diverse. Starting from managerial skill are the skill to manage the business, namely the skill to plan business goals both short term and long term. A visionary entrepreneur should be able to see the business forward but more than that, an entrepreneur must also have the skills to execute the plans and dreams into action. In addition, the entrepreneur is also expected to have the skills to communicate and negotiate.

This communication is required to be more effective in communicating ideas to others, for example subordinates, to the investors and other parties who have an interest in business

Entrepreneur also need to have the skill to relate and influence others, because in general, business is an interest. Business interest in selling products or services to customers therefore, entrepreneur should be have the skill to build relationship with the

CONCLUSION

By having knowledge, an entrepreneur will be able to improve the quality of life. Explicit knowledge (functional) and tacit knowledge able to equip entrepreneurs run their businesses more effectively. Thus, entrepreneur will be able to have a lot more time doing personal business outside so that the quality of life increases as individuals. Explicit knowledge needed by entrepreneurs consist of functional knowledge related to business managing and industrial insight in which their business exit. Tacit knowledge need to be owned by entrepreneurs is a set of skills i.e. managerial skill, communication and negotiation skill, building relationship skill and manage their time.

customers. Business is also concerned deal with supplier related raw materials or finished products that will be sold. Again, entrepreneur need to develop himself to be able to maintain relationship with other party. Last skill that needs to be owned by the entrepreneur are the skills to manage time. Entrepreneurs have to be able to manage their time effectively so they can balance their life.

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