

# Chapter 1

## How and Why Business Model Matters in Acquisition of Knowledge in Small and Entrepreneurial Firms

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### ABSTRACT

*Much has been written about acquisition of knowledge and its role in survival and growth of small and entrepreneurial firms. Little, however, is known about the role of business model in knowledge acquiring activities of the firms. Therefore, by incorporating the cognitive and reified activity-based view of business model into the knowledge-based view (KBV) and absorptive capacity of the firms, this article attempts to address this deficiency. The author posits that business model is a holistic framework in the mind of the executives. It is embodied and reified in activities which employees and particularly executives perform to create and capture value for the firm. In light of this perspective knowledge acquisition is conceived as a key strategic activity whose scope, depth, and breadth are regulated by the business model of the firm. Adding to and extending KBV, this manuscript offers several contributions to theory and practice. Given this analysis, contributions of this view are presented, implications for theory and practice are discussed, and some fruitful areas for future research are highlighted.*

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## **INTRODUCTION**

There is an expansive stream of research indicating that Small and entrepreneurial firms rely extensively on knowledge as a key strategic resource for their survival and growth (Yli-Renko, Autio, & Sapienza, 2001; Macpherson, & Holt, 2007; Burgers, Van Den Bosch, & Volberda, 2008; Fletcher, & Harris, 2011). This body of literature is premised on this assumption that knowledge is an asset hence it can be acquired and deployed for commercial ends (Macpherson, & Holt, 2007; Thorpe, et al. 2006). In this respect, knowledge acquisition (KA) refers to the process of acquiring or obtaining knowledge, that is important to the current and future operation of the firm, from external environment (Zahra and George, 2002). In the light of this definition business literature shows that, KA is a fundamental theme in several strands of research including organizational learning and innovation (Cohen and Levinthal, 1990; March, 1991; Huber, 1991), resource-based view (Barney 1991) and its extensions knowledge-based view (Grant, 1996) and dynamic capabilities perspective (Teece, Pisano and Shuen, 1997). This makes the process of knowledge acquisition an enduring focal of attention for scholars.

As a result, acquisition of knowledge has occupied center of attention in research concerning strategic (e.g. Jansen, Vera, & Crossan, 2009; Li, Wei, & Liu, 2010) and entrepreneurial (e.g. Chandler and Lyon, 2009; Sullivan and Marvel, 2011 a,b) behavior of the firm. The essence of this voluminous literature is that, firms regardless of their size, type and scope of operation must acquire knowledge constantly in order to stay competitive (Foss, 2005).

A closer look at this literature reveals that the dominating school of thought in this context is the network view. The network view or alternatively the network theory is one of the influential theoretical views in small business and entrepreneurship literature (Swan, et al. 1999; Nooteboom, Berger,

& Noorderhaven, 1997; Dyer, & Hatch, 2006; Huggins, 2010; Sullivan, & Marvel, 2011). This view aspires to associate the activities of executives and entrepreneurs with their networks. According to Ireland, Webb and Coombs, (2005:119) the basic premise of this theoretical view is that an individual's, as an executive or entrepreneur, or an organization's resources—including knowledge and legitimacy are available to it from its networks. This network generally refers to a set of relationships that an entrepreneur or firm develops with a variety of business partners including suppliers, venture capitalist, distributors, and key customers. Literature in this context tends to underline the importance of external links and their attributes, such as types of main partners within the network (Yli-Renko, et al. 2001) and the depth, breath, and degree of reliance on relationships (Sullivan, and Marvel, 2011 a,b) and the capabilities of executives of small businesses to shape and control relationships with networks partners such as suppliers, distributors or key customers as a means to acquire required knowledge for the firm's operation (e.g. Yli-Renko, et al. 2001; Kotabe, Jiang, and Murray, 2011). In addition, alliance and joint venture have received a remarkable amount of attention as two types of contractual strategic relationships for knowledge acquisition within the networks of a firm (e.g. Lyles, & Salk, 1996; Inkpen, 2000; Tsang, Nguyen, & Erramilli, 2004; Lyles, & Salk, 2007; Park, 2010). It must be, however, noted that this manuscript does not intend to discuss the dynamism and mechanism of knowledge acquisition through the networks of the firm. This subject goes beyond the scope and initial intention of the current study.

In light of this perspective, delving further into the recent literature in strategy and entrepreneurship shows that not only networking, but also indeed all strategic activities of a firm within industries and markets are defined and influenced by its business model (Zott and Amit, 2010). In particular business model of a firm is a key de-

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