

CORPORATE ENTREPRENEURSHIP – TOP MANAGEMENT TEAMS’ KNOWLEDGE NETWORKS

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In times of global crisis and increasing pressures on companies to follow strategies for a competitive position on the global markets many top management executives have to apply different approaches referred to corporate entrepreneurship and the creation and maintenance of knowledge networks. The demanding knowledge economy prerequisites the reshaping of markets; new forms of competitive advantages based on business development and effective combinations of resources; an outside orientation to customers, suppliers, shareholders, business partners and other interest groups, etc.

The purpose of the paper is some characteristics of the corporate entrepreneurship in relation with the knowledge networks to be outlined.

The used theories include Bettina Büchel’s and Steffen Raub’s knowledge networks’ model, Kaplan’s and Norton’s proposal for building a strategy map and different concepts of corporate entrepreneurship.

The applied research method is a literature review.

The contribution of this theoretical research is referred to the suggested platform of corporate entrepreneurship in connection with the concept of knowledge networks.

Key words: corporate entrepreneurship, knowledge networks, top management teams (TMT)

КОРПОРАТИВНОТО ПРЕДПРИЕМАЧЕСТВО – МРЕЖИ НА ПОЗНАНИЕТО НА ТОП-МЕНИДЖМЪНТ ЕКИПИТЕ

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Във времена на глобална криза и нарастващ натиск върху компаниите да следват стратегии за конкурентна позиция на глобалните пазари много топ-мениджмънт представители трябва да прилагат различни подходи отнасящи се до корпоративното предприемачество и създаването и поддържането на мрежи на познанието. Изискващата икономика на знанието предполага промяната на пазарите; нови форми на конкурентни предимства, основаващи се на бизнес развитието и ефективните комбинации от ресурси; външна ориентация към клиентите, доставчиците, акционерите, бизнес партньорите и други заинтересовани страни.

Цел на статията е да се изведат някои характеристики на корпоративното предприемачество във връзка с мрежите на познанието.

Ключови думи: корпоративно предприемачество, мрежи на познанието, топ-мениджмънт екипи.

THE ESSENCE OF CORPORATE ENTREPRENEURSHIP'S CONCEPT

The concept of corporate entrepreneurship has been discussed and developed over the years (Peterson & Berger, 1971; Zahra, 1991; Kuratko & Hornsby, 1993; Guth & Ginsberg, 1990; Ferreira, 2002, etc.). Sathe (1989) defined it as a process of organizational renewal. Other researchers have

conceptualized corporate entrepreneurship as: “the process of creating new business within established firms to improve organizational profitability and enhance a firm’s competitive position or the strategic renewal of existing business” (Zahra, 1991)¹; “corporate venturing, or new business development within an existing firm, which is only one of the possible ways to achieve strategic renewal. Strategic renewal involves the creation of new wealth through new combinations of resources. This includes actions such as refocusing a business competitively, making major changes in marketing or distribution, redirecting product development, and reshaping operations” (Guth & Ginsberg, 1990)²; “a process of extending the firm’s domain of competence and corresponding opportunity set through internally generated new resource combinations” (Burgelman, 1984)³; “a potentially viable means for promoting and sustaining organizational performance, renewal and corporate competitiveness” (C.Lakshmi Nath)⁴, etc.

Corporate entrepreneurship can be considered as:

- refocusing business activities in the context of strategic networking, sharing of ideas and competition for knowledge resources inside and/or outside the company;
- managing human capital for better performance, commitment, participation, involvement, social responsibility and added value through the application of intrinsic humanity, motivation, learned skills and tool manipulation (Drucker, 1992);

¹ <http://bcognizance.iiita.ac.in/aug-sep05/Corporate.htm>

² **Ferreira, J.** Corporate Entrepreneurship: a Strategic and Structural Perspective. International Council for Small Business, 47th World Conference, San Juan, Puerto Rico, June 16–19, 2002

³ **Bulgerman, R.** Designs for Corporate Entrepreneurship. *California Management Review*, 26, 1984, pp. 154–166

⁴ [http://www.ediindia.org/Creed/data/C Lakshmi Nath.htm](http://www.ediindia.org/Creed/data/C%20Lakshmi%20Nath.htm)

- rethinking the vision, partnerships, substance of the strategic management;
- building knowledge capacity and restructuring market through an implementation of changed rules of competition for the industries;
- reinforcing the components of effective team work (communication, cooperation, collaboration, and compromise), etc.

As Jon Katzenbach⁵ considers “real teams must follow a well-defined discipline in order to achieve their performance potential”. He has defined a real top management team (TMT) as a “small number of people with complementary skills who are committed to a common purpose, performance goals, and an approach for which they hold themselves mutually accountable”. Most top management teams have to acknowledge that their environment is more complex and dynamic than ever before. They must be well acquainted with the tendencies in competition’s decisions on a course of actions to create value through strategic communication about the effective connection between objectives, possibilities and relationships. In this process of coordinating the activities and assets top management teams can more widely utilize their knowledge, skills, abilities and capabilities and initiate the creation of knowledge networks.

THE IMPORTANCE OF KNOWLEDGE NETWORKS TO CORPORATE ENTREPRENEURSHIP

According to Bettina Büchel and Steffen Raub⁶ “effective knowledge networks increase innovation and improve organizational efficiency, but they can have even greater benefits if they are structured and receive management guidance”. Knowledge networks can:

⁵ http://www.schneede.se/assets/files/Top_Management_Team_Myth.pdf

⁶ **Büchel, B., St. Raub.** Building Knowledge-creating Value Networks. European Management Journal, Vol.20, No.6, 2002, pp. 587–596

- promote new ways of thinking and acting;
- assure the independence of top management teams to develop their collaborations with partners in accordance with the potential contacts of knowledge-intensive organizations;
- maintain people morale and team values of involvement, empowerment and sensitivity, etc.

As Bettina Büchel and Steffen Raub⁷ have pointed out “although more and more companies recognize the importance of knowledge networks, they have yet to discover how to build them”. There are four key stages of network development, i.e. knowledge networks need a focus on strategic business and corporate priorities, a creation of network context, routines of network activities and a leverage of network outcomes. Four types of knowledge networks have been identified: networks that primarily focus on individual benefits versus those that focus on organizational benefits and networks that are self-managed versus those that are supported by managers.

- *Hobby networks* provide a context of individual interests, e.g. tennis, poetry, football, music, etc. The most significant outcome of this kind of networks is the personal satisfaction which can result in an increased productivity, an innovative thinking and new contacts of a friendship and commonly shared values. *The contributions for the corporate entrepreneurship* include: a value-based self-management; an information flow in development; an informal research incentives and discussions about the markets’ possibilities and gaps, different segments and the most important corporate events of the industry, etc.

- *Professional learning networks* refer to the individual skill base. As it has been considered and described “knowledge transfer in these networks is spontaneous and ongoing, a natural by-product of work and mutual support”

⁷ Büchel, B., St. Raub. Op. cit.

(Lave & Wenger, 1991). *The contributions for the corporate entrepreneurship*: individually added acquired knowledge; more intensive investigations of the professional environment; communication patterns of culture, priorities, interests in the professional community, long-term learning possibilities, etc.

- *Best-practice networks* generate value through their institutionalized forms of knowledge sharing in organization. These networks focus on problem-solving and accumulating new knowledge as well as on the transfer of existing knowledge. *The contributions for the corporate entrepreneurship*: an emphasis on organization efficiency not only for the company but also for the industry; development and differentiation of the customer value proposition of the company; mutual support in creating the company' s brand and identity, etc.

- *Business opportunity networks* are entrepreneurial networks which are “potentially the most innovative and attractive from a growth perspective”. *The contributions for the corporate entrepreneurship* is referred to: changing of the existing business models; creating a new strategy map of the company (Kaplan & Norton, 2001)⁸; initiating new business activities and co operation, etc.

The implementation of corporate entrepreneurship [Figure 1]:

- creates a platform for increasing the human potential;
- follows the market movements and the new competencies of the industry;
- cultivates a positive attitude towards the knowledge economy;
- implements networking as knowledge development of so-called “faster-learning organizations”, etc.

⁸ http://www.12manage.com/methods_strategy_maps_strategic_communication.html

NETWORK DEVELOPMENT IN A MANAGERIAL CONTEXT

Network development could foster stability and prosperity, as well as, it could improve the quality of life of all involved members in the company by a protection of the rights, freedom, and individual choices. Networking encourages people to manage for performance, for promotion of culture and mutual confidence, for diverse communication and decision making. Knowledge networks protect the functioning of teams appropriately. Network development enacts the three conditions of accountability⁹, namely: communicating clear and credible expectations, creating compelling consequences, and leading conversations grounded in empirical reality. The process of network development in a managerial context might pass three main stages as it is described below.

First stage: Providing a focus on knowledge networks as a solution of the crisis management

It's clear that in the absence of knowledge capital about the crisis in the market development and global demand, adaptation is the best strategy. The knowledge networks can support the efforts of top management teams to look more broadly through the concepts of the changing matters in the industry and to foster specialization among partners as a way of prevailing over the unsecured environment and competition in uncertain times. Some initiatives may refer to:

- formulating a shaping strategy. As John Hagel III, John Seely Brown et al.¹⁰ consider “changing the risk/reward calculus as you shape strategy in a time of rapid change involves three interrelated elements: a shaping view, which helps focus participants; a shaping platform, which provides leverage to reduce the investment and effort participants need to make; and specific shaping acts and

⁹ **Grimshaw, J., Gr. Barron.** Leadership without Excuses. McGraw-Hill, New York, 2010

¹⁰ **Hagel III, J., J. Brown, L. Davison.** Shaping Strategy in a World of Constant Disruption. Harvard Business Review, October, 2008, pp. 81–89

assets, which persuade participants that the shaper is serious and can pull off the shaping initiatives”;

- strengthening the professional ties to assure common business activities. It might be important because of the possibility some business niches become insufficient and their competitive advantages could create conditions for differentiation as a strategy of success in the industry. This mutual reliance can mobilize all the assets and knowledge capital and the real market opportunities for the companies in the industrial network could be utilized for better individual and team performance;

- emphasizing on core competences, capabilities and knowledge which can assure more control over the assets and activities that are of a core importance and value. This might be implemented by so called collaboration networks which could propose collaborative innovation and relationships with the most significant partners. If the collaboration is “totally open or crowdsourcing, everyone (suppliers, customers, designers, research institutions, inventors, students, hobbyists and even competitors) can participate.”¹¹ In this way a sponsor who has declared a problem as a public one and then seeks support and suitable decisions from an unlimited number of problem solvers can contribute to his/her company and top management teams to use capabilities and assets of other people offered their knowledge and experience. It’s a competitive advantage to create and sustain an open network which can attract “an extremely large number of problem solvers, and consequently, a vast number of ideas”.

Second stage: Changing business environment through HRM and activities of corporate entrepreneurship

¹¹ **Pisano, G., R. Verganti.** Which Kind of Collaboration Is Right for You? Harvard Business Review, December, 2008

The challenging market environment presupposes changes in business activities. Some new ventures are undertaken because of faraway markets. The distances create differences in time, resources, competencies and priorities. As it is said in Daniel Isenberg's article¹² "a greater challenge for global entrepreneurs is bridging what the British economist Wilfred Beckerman called in 1956 "psychic distance"". This arises from a variety of reasons, such as culture, language, education level, political systems, religious preferences and economic development. Sometimes, so called global entrepreneurs have to deal with several different segments of the global market, which is a complex job. They must cope with the law and jurisdictions of foreign countries and offer their commodities as well as their skills and levels of quality. These tasks of the corporate entrepreneurship in a great extent change the business environment. An adequate HRM is a prerequisite of a successful global business. The major challenges for HRM refer to:

- globalization and information technologies' development;
- cultural diversity and social responsibility;
- growing needs of a flexibility in organizational structuring;
- creating and maintenance of a high commitment and high performance business;
- competency and human resources' development in the process of an implementation of organization's quality policy¹³;
- asymmetries of the globalization process which ruin the balance of the power positions and "the world desperately makes an attempt to re-establish the balance by introducing new actors on the stage or trying to restrict the role of the

¹² **Isenberg, D.** The Global Entrepreneur. Harvard Business Review, December, 2008, pp.107–111

¹³ **Pavlov, Pl.** A Process Design of the Quality Management System in Line with the International Standard ISO 9001:2008. Varna Free University, 2010, p. 40

active ones, but for the present mainly through moral-ethical appeals for responsibility towards the idea of a fair society and sustainable development”¹⁴;

- the flexibility and the dynamics of the business development. Therefore the choice of an appropriate business model has already become a continuous management problem, which can be solved as “a purposeful process of a prompt and comprehensive change of the behavior and the skills of the personnel and management in the organization, as well of the different structures and processes in it.”¹⁵;

- the new development approach could be “focused on supporting the linkages among the sectors, rather than direct investment in the sectors. The understanding of investment in linkages is: investments (of money, time, information, human resources, etc.) in initiatives to eliminate, restrict, encourage or establish linkages (financial, information, human resources, materials, services) between sectors, taking into consideration an integrated economical, social and ecological dimensions”¹⁶, etc.

The knowledge networks could foster the corporate entrepreneurship through different activities of diaspora networks which give assistance to global entrepreneurs and they “can quickly gain access to information, funding, talent, technology – and, of course, contacts.”¹⁷ The processes of a formulation and an execution of the global strategy include the ethnic networks as a competitive advantage of the company. The other useful type of networking is a map network

¹⁴ **Nedyalkova, A., Z. Bauman, D. Filipov.** Globalism, Regionalism and Antiglobalism. Albatros, Sofia, 2005, p. 151

¹⁵ **Dimitrov, N.** The Actual Models of the Business Processes’ Management in the Enterprise. Papers of Round Table “The Current Models of the Business Processes’ Management in the Enterprise”, Varna Free University, 2010, p. 6

¹⁶ **Pavlov, D.** A New Linkage Approach to River Economic Complex Development. Avangard Print House, Ruse, 2010, pp. 14–15

¹⁷ **Isenberg, D.** Op. cit.

which is a diaspora of members often clustered in residential areas, public organizations, or industries.

Herminia Ibarra and Mark Hunter (2007)¹⁸ have discovered that the most important forms of networking are operational, personal, and strategic. The first contributes to management of current internal responsibilities, the second one boots personal development, and the third type addresses strategic issues to new business directions. When the topic of the day is the overall business of the company “many managers do not immediately grasp that this will involve relational – not analytical – tasks. Nor do they easily understand that exchanges and interactions with a diverse array of current and potential stakeholders are not distractions from their “real work” but are actually at the heart of their new leadership roles.”¹⁹ The networking and the implementation of the corporate entrepreneurship could be challenges of a new leader’s development plan.

As in any group or team in an organization, networks sustain different roles for development. Bettina Büchel and Steffen Raub²⁰ have pointed out that “in the most effective networks we observe a pattern of four typical roles that were systematically used to provide a backbone to the network.” These roles include four main types: coordinator, support, editor, and sponsor.

The network coordinators are the chief organizers, event hosts, troubleshoots and fundamental sources of energy in a network. The coordinator has the task to identify the members of the knowledge network and possibilities of corporate entrepreneurship; to maintain the processes of assessing the health of the network, and the linking people. The coordinator uses a support structure with different shapes (when it is necessary). In its simplest type it may be an

¹⁸ **Ibarra, H., M. Hunter.** How Leaders Create and Use Networks. Harvard Business Review, January, 2007

¹⁹ **Ibarra, H., M. Hunter.** Op. cit., p 41

²⁰ **Büchel, B., St. Raub.** Op. cit.

administrative assistant handling the operational activities of the network. The assistant's functions may include the organization and exchange of information generated by network members, the maintenance of the network's databases and intranet site as well as scheduling and organizing the network meetings. With this support, coordinator can participate more actively in the processes of the network and secure the effective network maintenance which is crucial in the initial stages of network development. The support structure also offers continuous coaching to "nascent networks in terms of information and communication technology and effective organizing mechanisms." The other important role in the networking is an editor who validates the content of the knowledge network, as well as, does the synthesizing and integrating the knowledge resources.

Highly effective networks rely on a sponsor who has a leading role in:

- providing resources, recognition and rewards;
- guiding long – term strategic alignment;
- supporting top management teams, etc.

The sponsor is not necessarily a member of the network, but keeps contact with it and maintains the coordinator's work and activities, reviews network tasks, contributes to implementing the company's goals in compliance with business/corporate strategy and secures appropriate support when needed.

All these roles of networking increase innovation possibilities; enrich relationships' content and improve organizational efficiency of the company.

Third stage: Maintaining the reward system in accordance with network results

Donna Deeprise (2007)²¹ has noted that "recognizing and rewarding employees for their superior performance leads to superior organizational performance". To reinforce the connection between rewards and network results,

²¹ **Deeprise, D.** How to Recognize and Reward Employees. AMACOM, New York, 2007

top management teams could focus the reward system of the company on efficient strategies for building successful knowledge networks inside and/or outside the organization. It might be a decision of a specific situation that “anyone – manager or employee – can recognize another individual or team for actions aligned with company strategies such as Build the Team, Satisfy the Customer, Deliver Our Family of Business, or Work Smarter, Not Harder”²². If a team or individual get a recognition, top manager could offer rewards of own choice, i.e. everyone who has recognition from his/her colleagues or a team leader is encouraged to specify his/her preferences for rewards. The reward system must stimulate behavior of responsibility that supports company strategies for an implementation of effective business activities leading to a positive image and better professional relationships. It’s really important that people do not work only for money but also “for a number of other returns to justify the time, energy, and mental and emotional effort they devote to the organization.” Therefore the total rewards package includes the salary and financial benefits, as well as business environment, professional friendships and contacts, learning and development schedules, and work/life balance. As Donna Deeprose considers “equity requires that total rewards meet the needs of employees to the same degree that employees contribute to meeting the objective of the organization”²³.

Value – based rewards could differentiate the efforts and results of building knowledge networks as an objective of the corporate entrepreneurship of the company. Value – based rewards could also affirm strong value orientations, attitudes and behavior that make members of knowledge networks proud. If the top management team of the company has financial difficulties and a limited budget, it’s not necessarily value – based rewards to be bound up with a huge

²² **Deeprose, D.** Op. cit., p. 5

²³ **Deeprose, D.** Op. cit., p. 12

amount of money or/and financial assets. More important is the knowledge of top performers that their financial rewards are substantially above average in the company. Top performers who are the engine of the corporate entrepreneurship in the company are motivated primarily by challenge and recognition. Some challenge – rewards for high – performing employees of knowledge networks could include:

- a choice of their own projects and contacts;
- time and resources to design and work on different projects;
- an opportunity for a project management of cross – functional teams;
- an attendance of conferences, formal and informal meetings of knowledge society and high – ranked representatives of the corporate entrepreneurship;
- a preparation of experts' papers on current problems or tendencies, etc.

CONCLUSION

Adding value through knowledge is a crucial matter in nowadays business reality. Corporate entrepreneurship as a variety of knowledge networks focuses on the organizing function as a prerequisite for: employee satisfaction and loyalty, promotion of new skills and abilities, building human capital and strong professional relationships. Top management teams could contribute to continuous innovation in a wider content and to accumulation of tacit knowledge, as well as, to lead the company towards sustainable development.

Figure 1

The implementation of corporate entrepreneurship through knowledge networks

