

The Psychological Contract, Knowledge Management and Entrepreneurial Success

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Principal Topic

In recent years, organisations have come to realise that what they 'know' is crucial to their competitiveness. From the mid 1990s there has been a rapid growth in the study and practice of knowledge management. Now it is accepted that organisations whose people have superior knowledge and who are able to harness that knowledge, will develop a fundamental source of competitive advantage (De Geus, 1997; Teece, Pisano and Shuen, 1997). In recent years, organisations have placed an extremely high value on knowledge: Knowledge has become the most important factor in economic life. It is the chief ingredient of what we buy and sell, the raw material with which we work. Intellectual capital has become the one indispensable asset of corporations" (Stewart, 1997 in Little, Quintas and Ray, 2002, p.2).

The recent growth in interest about knowledge has led to many writings considering the notion and the issues surrounding it. For example: Duffy (2000) describes knowledge as contributing to organisational performance and stimulating and maintaining innovative practices. Pérez-Bustamante (1999), discusses knowledge management in agile innovative organisations, describing knowledge as the foundation of intellectual capital, in itself a major consideration in innovative environments, and relates the importance of an organisation's internal knowledge capacity as a primary source of innovation. Pitt and Clarke (1999) note the role of knowledge in innovation, stating that an organisation must purposefully apply its skills and knowledge to achieve strategic innovation. Johannessen et al. (1999) write about which management and organising characteristics are best used to manage innovation in the knowledge economy, and notes that some leading edge companies realise the value of the tacit knowledge they already contain for providing solutions.

Innovation is increasingly discussed as one of the desired outputs of knowledge, whilst the need to manage workers in order to develop the learning needed to promote knowledge and innovation is also identified (Swan et al., 2002). The argument is that, by managing the learning and knowledge creation processes carefully and developing an innovative culture, maximum innovation can be achieved. This indicates that the development of knowledge will be vital for the success of entrepreneurial developments but, as it is about the management of people, it may have specific issues in the development and sharing of knowledge in new and/or small firms. It has been noted by Massey et al. (2006) that the decision to employ their first employee is a major milestone for all entrepreneurs. However, as demonstrated by Blackman and Hindle (2006), despite the importance of such a decision it is noticeably absent from the stage models of entrepreneurial development. Moreover, in general the impact of individuals other than the entrepreneur are not explored within the entrepreneurial literature. This includes the area of knowledge and knowledge creation. Mishra and Akbar (2005) discuss knowledge creation within mid-size firms but there is still a focus upon how the entrepreneur harness the available knowledge without considering the barriers inherent in knowledge transfer that emerge as a result of the type of psychological contract likely to be prevalent in an entrepreneurial firm.

Methodology/Key Propositions

A qualitative study is being undertaken using in-depth semi-structured interviews from a variety of stakeholders within and around the hospitality industry. A qualitative approach has been chosen in order to develop an understanding of the phenomena which can then be tested empirically at a later date. An analysis using axial and thematic coding will be used to develop a model that links knowledge creation potential, the psychological contract and entrepreneurial building potential.

Results and Implications

This paper will consider the role of knowledge in successful entrepreneurial developments in general, and the importance of the psychological contract in enabling knowledge utilisation in particular. There is already an established link between the psychological contract and the success of change initiatives because outcomes are affected by individual emotions (Pate et al., 2000; Maguire, 2002). A view of knowledge as a socially created, evolving phenomena affected by relationships between individuals and their organisation led Blackman and Davison (2006) to posit a relationship between the psychological contract and knowledge management, arguing that knowledge creation and sharing will be affected by the felt emotions. The paper is based upon empirical data to be gathered from the hospitality industry, which sought to clarify the relationship between the psychological contract and knowledge management in general, and within small and entrepreneurial firms in particular.

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