



Acquisition of tacit marketing knowledge

A role of human capital and social capital of entrepreneurs in China

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Abstract

Purpose – Focusing on entrepreneurship in China's emerging economy, this paper aims to explore the extent to which the human capital and social capital of Chinese entrepreneurs facilitates their acquisition of tacit marketing knowledge.

Design/methodology/approach – Observation and literature review are presented.

Findings – The paper proposes a conceptual framework that links tacit marketing knowledge and entrepreneurs' human and social capital. When accessibility of the general knowledge of expertise and professional business in a society is low, Chinese entrepreneurs in small and medium enterprises (SMEs) thus depend on their own resources of human capital and abilities of social capital to acquire tacit knowledge. Both specific and general human capitals facilitate Chinese entrepreneurs' acquisition of tacit marketing knowledge. With a strong awareness of the low level of institutional trust in the current transition economy, Chinese entrepreneurs develop the interpersonal trusting relationship to gain social support. Through the trust and trustworthiness, the quality of relationships in business networks creates the personal relational resource for tacit knowledge reciprocity.

Originality/value – This paper fills the gap in the literature by identifying critical intervening components of human and social capitals in the entrepreneurship process in China's emerging market knowledge which have previously remained untouched. The key issues of how Chinese entrepreneurs of private SMEs initially acquire knowledge-based resources to operate their businesses are critically proposed.

Keywords Tacit knowledge, Marketing, Social capital, Human capital, Entrepreneurs, China

Paper type Research paper

Introduction

The "China phenomena" are changing the landscape of business knowledge throughout the world. Researchers are closely following the development of China's entrepreneurship and the business model. For instance, Lenovo's purchase of IBM's personal computer (PC) department and Nanjing's Automobile acquisition of Rover in Long Bridge in the UK have inspired the curiosity and study of Chinese entrepreneurship. The proliferation of small and medium enterprises (SMEs) and their increasing importance in the emerging economy indicate that the management and growth of these enterprises are critical in national and regional development.



China's SME entrepreneurship activities emerged as a major engine in economic growth and employment growth since the late 1980s and have continued to blossom through the past two decades. Private enterprises now employ millions of people laid-off by state-owned enterprises, thereby demonstrating the social significance of China's private sector. Despite the rapid increase of its importance, however, there are limits to what is known about entrepreneurship practice related to the knowledge acquisition of private firms in China.

Although the uniqueness of governance, entrepreneurial orientation, structure and mechanisms of Chinese entrepreneurship has been well-reviewed (Fung *et al.*, 2007; Li *et al.*, 2008; Siu and Bao, 2008; Tang *et al.*, 2008; Yiu and Lau, 2008; Zhang and Li, 2007), previous studies place a focus on the two ends of the entrepreneurship process, namely, on the relationship between influence factors and a firm's performance at the institutional level (Li *et al.*, 2008). Many critical intervening components in/within this entrepreneurship process remain under-researched. One of these issues is how Chinese entrepreneurs of private SMEs initially acquire knowledge-based resources to operate their businesses (Peng *et al.*, 2007). Additionally, previous research on knowledge acquisition mainly focuses on multinational corporations, international joint ventures or high-tech firms located in China (Fu *et al.*, 2007; Yin and Bao, 2006), with little attention to most of China's private SMEs.

There has been a growing emphasis in the acquisition of tacit knowledge which is intuitive, often based on experiences and intangible skills, within the context of entrepreneurship (Rae, 2000). Tacit business knowledge is essential to firm competitive advantages. Explicit knowledge is readily transferred while tacit knowledge is difficult to share, transfer and absorb (Loebecke *et al.*, 1999) without extended social connections (Nonaka *et al.*, 2000) and learning competence (Baron and Markman, 2003; Inkpen, 1998). In particular, access to tacit marketing knowledge which is attributed to complexity, specificity, protectiveness and embeddedness (Simonin, 1999) is a challenge for a knowledge seeker. Little research has been conducted on how Chinese entrepreneurs access tacit marketing knowledge through their human and social capital. Moreover, research on the general question of knowledge acquisition has been neglected to explore particular types of business knowledge within the specific context of Chinese entrepreneurship.

To address these gaps in the literature, this study develops the conceptual framework on the role of the human capital and social capital of Chinese entrepreneurs in tacit knowledge acquisition in the emerging economy. Specifically, the study examines the extent to which the human capital of entrepreneurs (including formal education, previous industry-specific experience and industry-related training) facilitates their acquisition of tacit marketing knowledge. The study also examines the extent to which relational social capital is related to Chinese entrepreneurs' acquisition of tacit marketing knowledge. The outcome of the study contributes to the literature of entrepreneurship and tacit knowledge transfer by providing a strategic insight into the fast growth trend of SMEs in an emerging economy.

Theoretical background and hypotheses

Knowledge-based resources and SME entrepreneurs

The resource-based view suggests that a firm's competitive advantage is primarily based on the application of the bundle of resources that is at the firm's

disposal (Wernerfelt, 1984). The acquisition of external knowledge and intellectual creation can be a stimulus for business improvement and growth (de Boer *et al.*, 1999; Inkpen and Tsang, 2005). Extensive research on entrepreneurship in SMEs has been done in the context of the developed economies (Lichtenstein *et al.*, 2003). Knowledge management has been also developed and researched in the developed economies (Nonaka *et al.*, 2000). By contrast, little research has been done on entrepreneurship in relation to knowledge management in emerging economies, whose political, economic and social contexts are fundamentally different from these in a western developed economy (Child *et al.*, 2007; Peng, 2003; Tan and Litschert, 1994). In China, for instance, government at both local and central levels is still the key player to control resources and business information through constantly changing policies. Institutional trust and regulations exert a weak role in the marketing operation and, to some extent, the ambiguity of the tacit nature of business operation in China poses challenges.

An entrepreneur can be defined as a person who owns, launches, manages, and assumes the risks of an economic venture (Greve and Salaff, 2003). They are at the centre of the firm's operation, including the acquisition and management of knowledge for its survival (Cohen and Levinthal, 1990; Cooper *et al.*, 1995; Cope and Watts, 2000; Harrison and Leitch, 2005). The entrepreneur is keen to gain the marketing knowledge and information that will ensure the firm's survival and growth through various activities of learning, networking and communicating. It is found that entrepreneurial learning leads to the creation of new and unique knowledge, thereby providing the firm with a competitive advantage (Busenitz and Lau, 1996).

Intangible knowledge-based resources, such as "know-how", skills, and deep-smart tacit knowledge, are specific to a firm and determine its basic business operations, its initial niche in the market, and its ongoing competitive advantage (Hoopes *et al.*, 2003; Makadok, 2001; Priem and Butler, 2001). Therefore, to ensure that the firm survives and grows, SME not only needs tangible resources (which are tradable and non-industry-specific), but also require intangible knowledge-based resources (which are non-tradable and industry-specific). In particular, entrepreneurs require access to the complex tacit knowledge that is developed through personal experience; such knowledge is not generally available, and is therefore difficult to obtain (Beijerse, 2000).

Tacit knowledge of marketing know-how is procedural knowledge. Whereas, explicit knowledge refers to information or factual statements (i.e. knowing what something means), procedural knowledge refers to knowing how to do something (Simonin, 1999). Tacit knowledge is the implicit and non-codifiable accumulation of skills and experiences that result from learning by doing. These individual-specified or firm-specific knowledge types are usually considered critical elements for a firm's ability to compete in the market. Tacit marketing knowledge in this study is defined as the "know-how" of servicing, sales, pricing and advertising (de Boer *et al.*, 1999; Widding, 2005) in a market.

Nevertheless, the little literature that does exist with regard to entrepreneurship reveals that a lack of social support to obtain resources for operating a business in China's emerging market economy, due to both the historical and current social climate (Zhang and Yang, 2006). All entrepreneurs need to gain access to a variety of intangible resources such as knowledge of know-how, technologies, experiences, information regarding opportunities and strategies for business operation (Gelderen *et al.*, 2005; Hoang and Antoncic, 2003). Likewise, Chinese entrepreneurs need not only multifunctional business

knowledge – including production, marketing, organisational and financial knowledge – if they are to run a successful firm (Barney, 1991; Brush *et al.*, 2001; Yamada, 2003), but also the awareness of business sustainability in the global market place.

Tacit marketing knowledge is featured with specificity, complexity and protectiveness (Simonin, 1999). These attributes require entrepreneurs to carefully choose appropriate transfer methods to acquire it. Entrepreneurs may acquire market knowledge through intermediaries such as advertising agencies, market research firms, and consulting firms. However, these channels cannot equip them with sufficient tacit marketing knowledge, as tacit knowledge, which cannot be easily communicated and shared, is highly personal and deeply rooted in action and in an individual's involvement within a specific context (Aoki, 1988; Nishiguchi, 1994).

As mentioned earlier, Chinese entrepreneurs face significant restraints in the form of a lack of institutional support, a paucity of financial resources, exclusion from the mainstream of business communities and networks (Tang *et al.*, 2008). Most importantly, adverse conditions are also extended to the difficulty in the acquisition of intangible resources, including business knowledge. The most realistic way for Chinese entrepreneurs of SME to address the concerns with the acquisition of tacit knowledge is to rely on their own resources (that is, drawing on their personal human capital) while turning to people whom they can trust and who are willing to assist them (that is, accumulating social capital) (Fung *et al.*, 2007; Siu and Bao, 2008). Research on knowledge acquisition and business growth among entrepreneurs has shown that they constantly adjust reciprocal exchanges in their business networks to access knowledge-based resources and other resources for various business needs at each stage of venture development (Birley, 1985; Siu and Bao, 2008).

Entrepreneurs can gain tacit marketing knowledge through their human capital, which has been shown to make a significant contribution to the business operations of entrepreneurs (Busenitz and Lau, 1996; Fung *et al.*, 2007; Madsen *et al.*, 2003; Marger, 2001; Youndt and Snell, 2004). The term “human capital” in this context is understood as the total capabilities of an individual for performing work-related activities – including knowledge, experiences, skills, self-efficiency and personal educational background (Dana *et al.*, 2005; Firkin, 2003).

Tacit marketing knowledge of entrepreneurs can also be obtained through social networking, which provides social capital, or “collective-owned capital” as it has been termed by Nahapiet and Ghoshal (1998). For the purposes of the present study, “social capital” is defined as relational resources inherent in close social connections, which facilitate collective actions for mutual business benefits and knowledge exchanges. Tacit marketing knowledge is difficult to acquire not only because it is industry-specific and complex, but also because it is often kept confidential to maintain a competitive advantage by a firm. A high level of social capital has been shown to assist entrepreneurs in gaining valuable resources (Baron and Markman, 2003; Coleman, 1988b; Wever *et al.*, 2005). Entrepreneurs often resort to close ties to gain tacit marketing knowledge.

Human capital of entrepreneurs and knowledge acquisition

Previous research indicates that there is a relationship between human capital and the business growth of firms through resource acquisition in China (Fung *et al.*, 2007). Entrepreneurial knowledge, relationships, experience, skills, judgment and abilities to

coordinate resources are viewed as intangible resources (Barney, 1991; Barney *et al.*, 2001). Such resources facilitate the recognition of new opportunities and assembling of resources for the venture (Alvarez and Busenitz, 2001). In SMEs, these personal resources become crucial since the growth process often centres around entrepreneurs' knowledge, experience and relationships.

However, the general knowledge of expertise and professional business is relatively low amongst entrepreneurs in China compared to ones in the developed economies, as there have been only less than three decades for marketing orientation coming up to the stage of China economy. Additionally, professional education and training are poorly accessible for these entrepreneurs in SME in China, generally because the programmes are excessively expensive and only available in large cities. Chinese entrepreneurs find it hard and costly to acquire the necessary know-how information and skills. Consequently, they rely on the development of their own human capital.

Human capital can be divided into:

- general human capital which refers to a general capability derived from formal education; and
- specific human capital which refers to a specific capability derived from industry knowledge, experience, training, and skills (Madsen *et al.*, 2003).

General human capital provides the information background that enables an individual to understand the general components of industry knowledge, whereas specific human capital provides knowledge of particular industry operations (Bowman and Swart, 2007). Both forms of human capital are key elements of entrepreneurship (Sequeira and Rasheed, 2006).

With regard to general human capital, the absorption and transfer of knowledge are influenced by the general knowledge of the individual learner (Firkin, 2003; Inkpen and Tsang, 2005; Liao and Welsch, 2005; Nahapiet and Ghoshal, 1998). The previous formal education provides a foundation of general knowledge to absorb new tacit marketing knowledge. Entrepreneurs with more general human capital (in the form of a level of formal education) are usually in a better position to recognize and value new external knowledge (Carter, 1989). This is especially true for the Chinese entrepreneurs facing the Chinese market where rapid changes are taking place and competitions amongst domestic and multinational corporations are acute with various methods and new technologies. The global competitive market requests entrepreneurs to be able to learn fast and apply know-how knowledge effectively in business operation. Self-learning capacity or experience in learning and the general knowledge level will enhance their comprehension of changing marketing characteristics and sharing tacit knowledge. It is reported, for example, that the young Chinese entrepreneurs in China are well-educated; more than one-third of them have a college degree or higher (Fung *et al.*, 2007). Fung *et al.* (2007) find that in China's dynamic economy, the younger generation tends to have a competitive edge over the older generation because of their greater ability to adapt and respond to the changing environment quickly. We argue that the higher ability in coping with the changing environment shown by the younger generation derives from their better education and general learning capacities which enables them to absorb external tacit knowledge quickly, compared with the older generation.

The number of private enterprises in Zhongguancun, Beijing expanded to over 20,000 from the original 500, with a total revenue that went from ¥1.4 billion in the past

to its present figure of over ¥900 billion, maintaining an annual average growth rate of 40 per cent (*People's Daily*, 2009). A key factor for these firms' success is their ability to gain tacit knowledge from international and domestic markets based on entrepreneurs' high-general human capital. The entrepreneurs in Zhongguancun have either a strong background in Chinese Academy of Sciences, local top universities or graduated from overseas universities. Stone Group, for instance, was the first successful technology company to be operated by individuals outside the government in China who were from Chinese Academy of Sciences. The founder and key members were able to absorb and digest local and international business experiences, knowledge and skills to start and extend business. The Lenovo Group, the world's third-largest PC maker, is another example of a company who have established strong associations with a prestigious Chinese university. It is no surprise, therefore, to understand that the high levels of human capital demonstrated by this company has significantly contributed to their success.

Clearly, a high level education enables these Chinese entrepreneurs to grasp tacit marketing knowledge and skills quickly. The formal education of Chinese entrepreneurs therefore facilitates their acquisition of tacit marketing knowledge. The following proposition is therefore proposed:

- P1.* Chinese entrepreneurs' formal education is positively related to the acquisition of tacit marketing knowledge.

In terms of specific human capital, prior industry-specific experience in business is critical if Chinese entrepreneurs are to run a business successfully (Hsu, 2007).

Such prior experience can provide a "filter" through which useful new knowledge is recognised and incorporated in the development of business. It also reduces risk of inefficiency in searching relevant marketing information and provides a context of familiar elements through which less-familiar but critical elements can be appreciated, grounded and learnt (Martens *et al.*, 2007). Tacit marketing knowledge presents an attribute of specificity which leads to the difficulty in imitation and acquisition by knowledge seekers (Simonin, 1999). Transaction of specific skills and methods utilized in marketing processes and the provision of services for particular customers therefore needs relevant industry-specific experience as back-up knowledge in order to absorb and overcome the specificity of tacit marketing knowledge.

In the emerging economy, Chinese SMEs are facing an immature market which regulations and rules constantly change without always following explicit knowledge. Consequently, tacit knowledge plays a major role in knowledge transfer during business operations. Prior industry-specific experiences of Chinese entrepreneurs, thus, can facilitate their capturing the current tacit knowledge of how a particular market is operating and what ways of doing business are accepted and effective. Simonin (1999) argues that experience with knowledge in question sets the level of familiarity with the information content and context, and consequently favours the transferability of knowledge. There are many cases reported on how the Chinese entrepreneurs used previous experiences to gain creative ideas for the business success (Li and Guan, 2009). These successful Chinese entrepreneurs indicated that they quickly picked up the marketing information and knowledge through the news and conversations which were usually ignored by most people and turned them into the business opportunities and successful outcomes (Li and Guan, 2009).

The previous experience with technology, for instance, is a critical factor determining the learning capability of the recipient to understand new technologies (Zander and Kogut, 1995). Likewise, prior industry-specific marketing experience is likely to provide a foundation whereby Chinese entrepreneurs can capture and substantiate new tacit marketing knowledge in an efficient manner. It is contended that previous experience in an industry will be conducive to the acquisition of tacit marketing knowledge:

P2. Chinese entrepreneurs' prior industry-specific experience is positively related to the acquisition of tacit marketing knowledge.

Another important aspect of specific human capital is industry-related training. Entrepreneurs need multifunctional knowledge and skills in the various stages of the development of a business, especially marketing knowledge in both the start-up stage and the maintenance stage (Jones and Tullous, 2002). Industry-related training provides an entrepreneur (both potential and actual) with the necessary industry-specific skills and knowledge, and with a relevant framework in which to apply them (Solomon *et al.*, 2003).

Tacit marketing knowledge is also characterized by complexity, which refers to the number of interdependent routines, individuals, technologies, and resources linked to a particular knowledge (Simonin, 1999). The complexity of the tacit marketing knowledge in the Chinese market is not only due to the immature market, but also because of the wide tacit knowledge spectrum of the particular market. Tacit marketing knowledge is compartmentalized across various individuals, companies and regions in China. Unlike the developed countries where marketing regulations, prices, services and even customers' preferences are mostly standardised, the major marketing elements in the Chinese market significantly vary cross individuals, cities and provinces geographically. It is partially due to the strong protection by the local governments and local business. The totality of tacit experience and skills therefore cannot be easily integrated or comprehended by individual Chinese entrepreneurs. Complexity of tacit knowledge can impair comprehending the totality of a marketing asset or activity and to prevent its transferability (Simonin, 1999). Chinese entrepreneurs have a difficult time to start and run a particular business, due to lack of industry-related training and other relevant professional advice. Industry-related training provides entrepreneurs with a framework of knowledge, which helps them to understand and appreciate further complexity of tacit marketing knowledge in operation.

The industry-related associations in Wenzhou and other areas of Zhejiang Province, for example, provide training programs and seminars for SME entrepreneurs to develop both the general and industry-specific knowledge (Li and Guan, 2009; Wang and Ruan, 2008). As a result, these entrepreneurs are able to share tacit knowledge within and outside of the particular industries and to extend their business from a region to other areas across China.

Indeed, it has been argued that training for entrepreneurs contributes to entrepreneurs' acquisition of essential knowledge (Hsu, 2007) and is thus vital for their success (Solomon *et al.*, 2003). Tacit marketing knowledge is highly industry-specific oriented and hardly to be obtained through a general learning in outside of the industry. Therefore, it is assumed that:

P3. Chinese entrepreneurs' industry-related training is positively related to the acquisition of marketing knowledge.

Social capital of Chinese entrepreneurs and knowledge acquisition

Social capital is relational resources facilitating collective actions on acquisition of other types of firm resources and generated by reciprocal exchanges between social actors within networked relationships of mutual acquaintance (Firkin, 2003; Inkpen and Tsang, 2005; Nahapiet and Ghoshal, 1998; Zorn, 2004). Entrepreneurship is influenced by social capital (Ulhoi, 2005). According to Nahapiet and Ghoshal (1998), three dimensions of social capital can be identified:

- (1) structural;
- (2) relational; and
- (3) cognitive.

The present study focuses on the second of these dimensions, grounded in the premise that the field of Chinese entrepreneurship remains untouched by empirical research on effect of the quality of social capital for knowledge-based resources.

Relational social capital

The relational dimension of social capital is concerned with the quality of interpersonal relationships among actors (Inkpen and Tsang, 2005; Liao and Welsch, 2005; Totterman and Sten, 2005; Yli-Renko *et al.*, 2001). The dimension is thus concerned with the issues of mutual trust and reciprocal friendship (Nahapiet and Ghoshal, 1998). In particular, trust and trustworthiness have been posited as basic to relational social capital (Wang, 2007).

Trust is defined as the willingness of one party (the “trustor”) to be vulnerable (open to harm, criticism, or attack) to another party (the “trustee”) in the belief that the trustee will act in a positive manner (Mayer *et al.*, 1995; Rousseau *et al.*, 1998; Wang and Fulop, 2007). Trust creates bonds in networks, strengthens reciprocal relationships and increases the willingness of parties to enter into exchanges (Inkpen and Tsang, 2005; Larson and Starr, 1993; Uzzi, 1997). Trust of relational social capital in this study refers to Chinese entrepreneurs’ belief that other parties are willing to help them with providing tacit knowledge they request by willing to be self-vulnerable in reciprocity.

Fear of opportunism is a barrier to knowledge transfer in business (Junni, 2007). Tacit marketing knowledge is usually kept as business secrets to ensure that a competitive advantage is maintained. Knowledge holders prefer not to share such knowledge with others unless they implicitly trust the other party (Brass *et al.*, 2004; Coleman, 1988a; Nahapiet and Ghoshal, 1998). It is argued that the extent of transferring tacit marketing knowledge is influenced by a spectrum of protectiveness and embeddiness (Simonin, 1999). To gain tacit knowledge, knowledge seekers need to provide valuable benefits to knowledge holders in return. Such valuable exchanges require the knowledge seeker to initially be willing to be vulnerable to a knowledge holder with the certain offer in the belief that knowledge holder will transfer the tacit knowledge in an appropriate way. The dynamic involvement of trust in this circumstance becomes critical to overcome protectiveness of tacit knowledge transfer process (Myint *et al.*, 2005).

However, in an emerging economy such as China, trust at institutional level is low (Child and Mollering, 2003; Huff and Kelley, 2003). The involved parties for sharing of tacit marketing knowledge thus may be worried about risk of losing firm unique value. This readily leads to the lack of enthusiasm and incentive to cooperate too closely because of the risk of revealing too much to a competitor in-the-making.

Although Chinese entrepreneurship is engaged in a mixture of personal and institutional trust, personal trust can substitute for the deficiencies in the institutional environment for business, where institutional trust is relatively low or absent (Granovetter, 1973; Premaratne, 2001; Uzzi, 1999; Welter and Smallbone, 2006).

It is argued that due to a lack of financial, technological, and information resources, entrepreneurs turn to their strong ties, including family members, close relatives, and good friends, for emotional support and initial capital raising (Birley, 1985; Siu and Bao, 2008). The introduction of resources as an intervening variable considerably increases the explanatory power of the network approach (Jenssen and Koenig, 2002), when facing lack of institutional trust. The findings of a study in comparison of non-entrepreneurs and entrepreneurs in China indicate that Chinese entrepreneurs place more significance, value and trust in the social networks than non-entrepreneurs (Yueh, 2008).

Chinese entrepreneurs are likely to actively engage in tacit knowledge sharing and acquisition without fear of being betrayed, being deceived, or of being easily replaceable, i.e. the fear of losing one's unique value (Hwang and Burgers, 1997). Faith in another's benevolence and integrity increases individual's willingness to take risks by cooperating and sharing valuable knowledge between others (Renzi, 2008). Relational social capital (in the form of interpersonal trust) thus facilitates knowledge acquisition by enhancing a willingness to share and transfer tacit marketing knowledge. Based on the above arguments, it is posited that:

P4. Chinese entrepreneurs' interpersonal trust is positively related to the acquisition of tacit marketing knowledge.

The trusting relationships between entrepreneurs and their connections develop in a dyadic interaction of trust and trustworthiness. "Trustworthiness" is derived from an objective observation of another party's actions; it thus differs from "trust", which is essentially a subjective judgment (based on perceptions of vulnerability). There is a distinctive difference between trust and trustworthiness (Berg *et al.*, 1995; Kiyonari *et al.*, 2006). While trust is thinking about and a belief in others grounded in either the emotional bonds or cognitive calculation between individuals involving mutual care and benefits, trustworthiness is confidence in others about good reasons, based on the evidence of ability and willingness (Renzi, 2008). It is found that the extent of trustworthiness is positively related to interdependent actions, whereas the level of trust does not have such correlation (Barr, 2001; Berg *et al.*, 1995; Ploner, 2008). With trust in a trustee, a trustor is willing to put self in a vulnerable position, while with trustworthy of the trustee, the trustor confidently believes that there is no risk in social exchange (Molm *et al.*, 2000). Trustworthiness in this study is defined as confidence that the other side will act with reciprocal reliability and risk-free conduct in exchange relationships (Molm *et al.*, 2000). Previous research has not distinguished between trust and trustworthiness in terms of knowledge acquisition in relation to social capital (Tsai and Ghoshal, 1998); however, because of its essentially objective nature, it can be contended that trustworthiness is more likely to lead to knowledge acquisition.

Trustworthiness is associated with marketing tacit knowledge acquisition of Chinese entrepreneurs for business environmental reasons. First, the desperation for business success may turn involved parties' attention mainly to the outcomes rather than justified means. At the firm level, a daunting challenge to these SMEs is under the

increasing pressure to compete in intense uncertainty, turbulent environments (Tan and Litschert, 1994; Tang *et al.*, 2008). At the individual level, each member in business network needs to be successful in business for survival in the adverse environments, as there is not a solid social security system for people who do not have a job or a business. As a result, the one-side trust is readily over-shadowed by the desperately desirable outcomes in the relationships. High cost may occur to Chinese entrepreneurs, if they are cheated and gain limited or no return from the network members after actively expending and expensively maintaining the networks. It is found, for instance, that too much proactive actions of entrepreneurship in the turbulent environment leads to low-firm performance in China (Tang *et al.*, 2008).

Second, social values of being rich and pursuing money are becoming prevalent at this current stage in China's transitional economy. Social values of doing business without necessary compliance with ethical rules are generally accepted under the influence of Deng Xiaoping's pragmatic philosophy "as long as being able to catch mice, a cat is justified as good, no matter its skin is white or black". The meaning of the phrase is similar to the Machiavellian dictum of "the end justifies means", which encourages people to pursue the desired outcomes without much moral concern (Spitzer *et al.*, 2007).

The trusting level in certain entrepreneurial networks in China is negatively affected by these contextual factors. Under such circumstances, evidences of trustees' willingness, capacity and readiness to social exchange become imperative for the entrepreneurs' acquisition of tacit marketing knowledge. Willingness to be vulnerable in the network members for social exchanges alone may be not sufficient to secure critical resource reciprocity, especially exchanges of tacit marketing knowledge, compared in Western developed countries where the level of institutional trust is high. Clearly, trustworthiness from a reliable network is the key on tacit knowledge transfer. Trustworthiness positively facilitates the acquisition of tacit marketing knowledge transfer by other party's readiness and capability to assist; and by no risk of opportunism in exchanges. It increases the confidence of Chinese entrepreneurs to take significant steps to acquire tacit knowledge from another party (Siegrist *et al.*, 2003), as knowledge holders' tacit marketing knowledge is perceived as reliable. In sum, it is posited that:

- P5. Chinese entrepreneurs' perception of trustworthiness of other side is positively related to the acquisition of marketing knowledge.

Discussion and implications

This study posits that the:

- human capital of Chinese entrepreneurs is related to the acquisition of tacit marketing knowledge; and
- relational social capital of Chinese entrepreneurs is also related to the acquisition of tacit marketing knowledge.

Theoretical implications

The study extends previous research on knowledge acquisition (Firkin, 2003; Inkpen and Tsang, 2005; Liao and Welsch, 2005) in demonstrating that general human capital (in terms of the level of formal education among Chinese entrepreneurs) and specific human capital (in terms of industry-related training among Chinese entrepreneurs)

are associated with acquisition of tacit marketing knowledge. Our central argument with regard to Chinese entrepreneurs thus extends the findings of previous research on the importance of background knowledge as a stimulus for an awareness of a need for new knowledge (Cohen and Levinthal, 1990; Yli-Renko *et al.*, 2001).

The study also argues that industry-related training and prior industry-specific experience facilitate the absorption of specific knowledge in industry. The industry-related training not only provides the Chinese entrepreneurs with basic industry skills, but also provides them with a relevant framework with which to ascertain what they need to know and how best to market their businesses. These findings with regard to Chinese entrepreneurs have thus extended the research of Solomon *et al.* (2003) into the training of entrepreneurs and the success of entrepreneurial ventures. Moreover, by examining the specific type of business knowledge (marketing knowledge), the present findings support and extend Hsu's (2007) study of the link between industry training and entrepreneurs' acquisition of essential knowledge.

As previously noted, because tacit marketing knowledge consists of tasks and strategies leading to competitive advantages, it is therefore often considered being of a confidential nature (Aoki, 1988; Nishiguchi, 1994). There is thus a certain "stickiness" in terms of transferring and sharing such information between the involved parties. In the absence of trust and trustworthiness, the sharing of tacit marketing knowledge is unlikely to take place because such knowledge could be used opportunistically against the knowledge provider (Uzzi, 1997). For these reasons, trust and trustworthiness can be posited as the necessary pre-conditions for the sharing of tacit marketing knowledge. The present study is thus in accordance with other studies in the literature that have emphasised the sensitivity of entrepreneurs in preserving the confidentiality of sensitive business information with extension of empirical evidence (Granovetter, 1973, 1985; Greve and Salaff, 2003).

Managerial implications

With regard to social capital, the findings indicate that Chinese entrepreneurs who wish to obtain essential knowledge-based resources should actively engage in networking with close ties. The establishment of trusting relationships will enhance the relational social capital of Chinese entrepreneurs and thus facilitate their acquisition of crucial marketing knowledge.

With regard to human capital, the results of the study suggest that policy makers in China should ensure that new Chinese entrepreneurs possess the skills to be able to contribute to the nation – both in terms of formal education and industry-related training. These two forms of human capital provide a basis for Chinese entrepreneurs to acquire the tacit marketing knowledge that they require to succeed.

Limitations and future research

Several limitations are acknowledged in the study. First, generalisation of the findings should be undertaken with caution because the study considered only Chinese entrepreneurs. Further research is required to extend the investigation to other countries in various industry settings.

Another acknowledged limitation is that the study considered only certain selected factors related to knowledge acquisition among Chinese entrepreneurs. The relationship between knowledge acquisition and the many social and personal

factors that impinge upon Chinese entrepreneurs is obviously more complex than it has been possible to show here. For example, structural social capital was not considered in the present study – although it should be noted that the relational dimension of social capital is said to be an indicator of the structural dimension of social capital (Davidsson and Honig, 2003).

Future research could also extend the scope of the present study to a wider variety of dynamic factors. Without making reference to the nature of other ties in the network or explaining how they fit together such as commitment and density of connections, for example, examining trust cannot adequately show how the overall network structure facilitates and influences exchanges.

Finally, the study focuses on the conceptual framework only. The future research would benefit to extend to an empirical study to test these propositions.

Conclusions

The present study has contributed to the literature on entrepreneurship by exploring the influence of the human and social capitals of Chinese entrepreneurs on tacit knowledge acquisition within the context of an adverse business environment. It extends the recently increasing research on the under-explored area of the determinants stimulating or hampering entrepreneurship (Stam and Elfring, 2008). It has made a significant step in a complicated area of research. The findings provide a better understanding of the role of trust and quality of entrepreneurs in the acquisition of tacit knowledge within emerging market economy context, which needs much more attention as a key area of entrepreneurship (Welter and Smallbone, 2006).

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