

COMMUNICATION, KNOWLEDGE AND INTERNATIONALIZATION IN CLUSTER SMES

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Although the process of internationalization and knowledge exchange among Cluster SMEs has been a focus within the inter-firm literature, this article attempts to gain a deeper understanding of the links between social and international networking, communication, knowledge and innovation. At its outset the knowledge management literature was considering Information Technology, with its implementations of storage, distribution and knowledge sharing as main focus for solving problems. Good understanding of the nature of knowledge and related knowledge processes, alongside the technological orientation shows the importance and involvement of the human actors, such as firms' managers, researchers and policy makers. Social networks are key elements in communications and relationships at inter-organizational level in Clusters, while the different cultural influences at an international level have an effect on the cooperative business learning and behavior of the firms.

Keywords: *Small and Medium Enterprises (SMEs), cluster, communication, international, knowledge*

Introduction

Communication and interaction are important elements for learning and innovation [Freeman C., 1991: 499–514]. Companies that operate in a geographical proximity, such as cluster SMEs, have better possibilities of collaboration. The communication enables the exchange of tacit knowledge and social interaction. Cluster organization, being a team of managers from cluster members, facilitates and supports the process of close cooperation between the firms, academics and policy makers. It serves as a disseminator of information and contributes to the communication of cluster firm managers. The cluster SMEs, located in geographical proximity, have the possibilities of increased networking and stronger collaboration, which can enable their innovative initiatives [Howells J., 2006: 715–718]. The globalization and constantly increasing international business activities affect the process of knowledge management and innovation. The society, with its increasing social mobility and multicultural communication create possibilities of learning interactively from international business partners. Gathering knowledge in new markets foster innovation initiatives [Amin A. and Cohendet P., 2005: 465–486]. In response to the new business multinational environments, the firms are faced with the necessity to learn how to operate in various cultures. Supported by collaboration with cluster members, SMEs start to do international business more frequently, which brings the necessity of collaboration with international partners. This process of internationalization helps the firms to come up with new ideas, new products and new services and to differentiate. Multicultural landscapes with their driving forces, require changes in the firm's strategies, and help to build new capabilities. It also brings new challenges and makes the communication more complex. Local innovations benefit from the internationalizations of cluster SMEs, becoming multidimensional with increased performance and sustainable profitability [Bathelt H. et al., 2004: 31–56].

Internationalization and knowledge creation

The role of the internationalization in the process of obtaining knowledge and being innovative, has been of research interest in the areas of strategic management, international business and entrepreneurship. In the strategy literature the issue of internationalization is addressed from the knowledge based view. The considerations of social network communications, social capital and knowledge formation are regarded with higher importance. Recent research has focused on SMEs and small knowledge-intensive firms as potential agents for innovation. Among the models related to small firms' internationalization are the so called model of "stages" [Johanson J. and Vahlne J., 1977: 23–32] and the model of "international new venture perspective" [Oviatt B., and McDougall P., 1994: 45–64]. The both models are partially contradicting. Nevertheless, the so-called "Uppsala" and the "International New Venture" theory are considered to set the main paradigms [Zahra S., 2005: 20–28]. The "Uppsala" model is based on gradual internationalization, where firms enter into foreign markets on consequent stages, after they have established themselves in the home market [Johanson, J. and Vahlne, J. 1990: 11–24]. The firm's competitive advantage is based on the home established capabilities. In the "revised Uppsala model" trust-building and knowledge creation are in relation to new knowledge, being developed in the process of communication [Johanson J. and Vahlne J., 2009: 1411–1431]. The "Second Venture" theory focuses on the firms which right after inception have an accelerated approach to internationalization. The competitiveness of these companies is based on their new and different capabilities [Oviatt B. and McDougall P., 2005: 537–553].

The focus of the internationalization process theories have been mainly on providing an explanation regarding the process itself. Some attention has been given also to the issues of firm's capability and its financial performance [Sapienza H. et al., 2006: 914–933]. Looking for any correlation between internationalization speed and success in financial terms in respect to the firm's age (based on first international entry) is an approach that can provide additional insights and better understanding of process of KM. Dynamic capabilities concerns tangible assets as well as intangible such as brands, intellectual property, and social networking ability. The marketing capability of a firm is an attribute that provides the means required for successful internationalization. It plays a role of an agent in adaptation to new markets. Further study of the process of communication and collaboration of cluster SMEs located in different countries will give a base for better understanding of the cultural variations [Felzensztein C. and Gimmon E., 2009: 1–9]. Regarding Helfat et al. (2007) the “fit” of these strategic resources with macro-economic environment can provide a reasonable explanation of the firms' financial performance.

Cluster organizations contribute to the acceleration of the process of internationalization of SMEs, and their increasing ability of global networking [Felsenstein, D. and Taylor, M. 2001: 1–5]. Social networks are key elements in firms' relationships, at organizational as well as personal level. There are certain signs of growing interest in individuals within networks. The study of friendship as stated by Holton (2008) “a potential means of exploring micro-macro links” is highly relevant to network analysis, although is currently underdeveloped at international level. Through the networking process and the management of externalities SMEs develop new capabilities and it is as result of a long sequence of path-dependency activities [Felzensztein C., 2003: 1–5].

Internationalization and communications

Communication and learning by cooperation is necessary elements of successful innovation and SMEs strategies [Freeman C., 1991: 499–514], [Prahalad, C.K. and Krishnan, M.S. 2008]. Interaction between various actor groups (e.g. firms, research organizations and users) is naturally enabled by geographic proximity. Geographical closeness provides exposure and ease of communication and enables exchange of tacit knowledge. It also provides opportunities for social interaction and strengthening the collaboration between dispersed units.

Clusters represent a group of firms, related economic actors, and institutions that are located in a geographical proximity, which have developed specialized expertise and skills, services, common suppliers and resources. The most Cluster definitions refer to concentration of one or more industries within a given region emphasizing the strong networking, communication and cooperation among the actors. Porter (1990; 1998) has characterized clusters as a set of industries, related horizontally and vertically, which have different kind of communication and interaction, which is contributing to their increased productivity. Clusters can be defined by relationships, not simply a membership. Their spatial boundaries vary and are not necessarily related to political borders. New forms of transport and communication, such as the Internet, are changing the spatial dimensions of a cluster. The studies conclude that the geographical implication of clusters affects the regional development and local wealth, as well as generating global networking and helping in the internationalization process of the SMEs. To have a strong competitive position requires communication, cooperation and strong networking between the firms.

During the last decades businesses operate in an increasingly *globalized* landscape for knowledge and innovation. The international mobility of individuals, more efficient and easier access to communication platforms create new forms of collaboration and new strategies for competitive advantage. The internationalization is defined the increasing interdependence between internationally dispersed economic activities [Cantwell J. and Janne O., 2000: 243–262]. It is viewed as important not only for exploiting knowledge in new markets (e.g. exports), but also for accessing international sources of knowledge and developing interactive learning processes with international partners. International knowledge sourcing and collaboration contribute to strengthen their processes of innovation. The companies are gaining more attractive and competitive international positions [Wilkinson I. F. et al., 2000: 275–299].

In transnational communication and networking, the cluster SMEs have better opportunities to access complementary knowledge located elsewhere and to respond to new market needs through collaboration with international partners. This helps to enrich their own capacities and inspire new ideas, ensure continuous dynamism (and avoid path dependencies), and enable the development of more differentiated and competitive solutions. The SMEs strengthen their performance and gain capacity for a long-term competitive advantage.

Despite the many potential benefits of linking the Cluster firms to global knowledge [Bathelt H. et al., 2004: 31–56] the geographic dispersion of knowledge sources makes this interactive learning process increasingly complex. The SMEs need capabilities to be able to identify relevant international opportunities. They need to have the abilities to access complementary knowledge located elsewhere. The dispersed knowledge sources through collaborative innovation processes have to be brought to integrated solutions [Doz et al., 2001]. Small companies often lack the internal capacity or network connections to pursue international innovation activities [OECD, 2009]. Such barriers prevent the effectiveness of their engagement in international innovation processes. The limited effectiveness of and low engagement in international collaboration activities are among the problems that are addressed by innovation policy.

Policy support for internationalization, communication and innovation

Innovation policy aims at enhancing SMEs competencies as well as fostering interactions between them, in order to strengthen the development, transformation and use of knowledge. Just as the innovation process is complex (relying on the capacities and interactions between different actors), the design and execution of innovation policy is challenging. The policy objectives are complex – often intersecting with other policy areas. The instruments target multiple actor groups (individuals, companies, research organizations, etc.) – often in interaction with each other. And the indicators of success can be quite vague – often using case “stories” and other qualitative measures to provide evidence of progress, as statistics and composite scoreboards do not tell the whole story.

With a more globalized innovation landscape, policymakers place increasing attention on implementing measures to ensure domestic players are attractive partners for international collaboration, support domestic enterprises’ ability to take part in international collaborations (particularly small and medium enterprises), and establish relevant infrastructures and institutions to facilitate linkages “at home” and with others internationally [Archibugi D. and Iammarino S., 1999: 317–336]. In addition to the existing challenges of the policy area, the design and execution of instruments to foster interactive learning processes across geographical boundaries and multiple levels of governance certainly adds increased complexity.

Compared to experience with policies to support international trade and investment or international research cooperation, there is relatively less experience with policies to foster new linkages and collaborative innovation processes across borders (INSEAD and WIPO, 2012: v) [INSEAD and WIPO, 2012: v]. Policy instruments to foster international innovation collaboration can target research organizations and companies directly – through e.g. joint research projects, mobility programs, and specific collaboration programs [Boekholt H. et al., 2009].

Policy support can also be provided indirectly by using innovation intermediaries to provide an information and brokerage services abroad, access to external infrastructure, and international visibility. There are still questions to be answered. How policymakers are to address actors’ barriers to the internationalization? How to make more efficient the international knowledge sourcing and collaborations. If innovation processes are increasingly transnational, how should the public policies to be designed to facilitate the cross-border interactions?

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