

Contents lists available at [ScienceDirect](#)

Journal of International Management

journal homepage: www.elsevier.com/locate/intman

Small Firm Boundary-spanning via Bridging Ties: Achieving International Connectivity via Cross-border Inter-cluster Alliances

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ARTICLE INFO

Keywords:

Clusters
Alliances
Boundary-spanning
Bridging ties
Social network
Small and medium-sized firms (SMEs)
Internationalization
Entrepreneurship

ABSTRACT

The notion of “people and pipelines” (i.e., interpersonal and intraorganizational networks) is a parsimonious description of the paths by which firms typically engage in boundary-spanning to develop opportunities to innovate and internationalize. Yet, we know little about how requisite connectivity develops for smaller, resource-poor firms whose access to people and pipelines is limited. I propose that small firms, who are members of industry clusters, are able to span their boundaries through bridging ties to people and pipelines via cross-border intercluster alliances. With case-based illustrations derived from cluster managers and small firms within those clusters, this research is intended to extend our understanding of bridging ties as a form of global market boundary-spanning by exploring this emerging phenomenon in the context of resource-poor, entrepreneurial firms who have no alternative, if they are to innovate and internationalize, but to do so on a shoestring budget.

1. Introduction

Connectivity is an important concept that describes the paths along which knowledge flows. [Lorenzen and Mudambi \(2013\)](#) identify two key aspects of connectivity in the global economy in the form of personal relationships (i.e., “people”) and intraorganizational links (i.e., “pipelines”) that provide boundary-spanning conduits as a set of communication and coordination activities performed by individuals within and between organizations across multiple cultural, institutional and organizational contexts ([Schotter et al., 2017](#)). Many capable firms exploit their connections via people and pipelines to identify and pursue international and innovative opportunities ([Bathelt et al., 2004](#); [DeMartino et al., 2006](#); [MacKinnon et al., 2004](#)) since access to external knowledge is crucial to firms that compete in the global market ([Gertler and Levitte, 2005](#); [Tödtling et al., 2006](#); [Wolfe and Gertler, 2004](#)).

Little is known, however, about how international connectivity develops when people and pipelines are weak or nonexistent ([Laud et al., 2008](#); [Lorenzen and Mudambi, 2015](#); [McEvily and Zaheer, 1999](#)). This is an important issue to consider from a conceptual and practical perspective because many small and medium-sized firms (SMEs) have neither pipelines nor an existing social network of people to draw on, as illustrated through my interviews reported below. Since SMEs often have very few resources to work with to explore international opportunities, notwithstanding their entrepreneurialism ([Jones and Coviello, 2005](#)), the problem of boundary spanning becomes a major challenge. SMEs, nonetheless, are compelled to participate in the international development of their technologies and markets as are their larger and inherently more capable counterparts ([Lu and Beamish, 2001](#)). Thus, in the case of a great many small firms, who may have neither people nor pipelines to assist them, we need to improve our insight into how they respond to the pressures to innovate and internationalize.

This research is designed to shed light, therefore, on an important emerging phenomenon that entails both individual and organizational action to create and facilitate connectivity under resource-constrained conditions. I examine the phenomenon of

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<http://dx.doi.org/10.1016/j.intman.2017.09.006>

Received 15 September 2017; Accepted 19 September 2017

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intercluster alliances (ICAs), a “nascent research field” (Lorenzen and Mudambi, 2015: 213), in which connectivity between firms across industry clusters is created purposefully to facilitate the international transfer of technological know-how and market information. More specifically, I emphasize the relevance of ICAs to acutely resource-constrained small firms that are required to internationalize and innovate on a shoestring budget.

My perspective is that cluster managers' efforts to negotiate alliances with other clusters in a type of “race to partner” are important in fostering and leveraging global connectivity. I explore this phenomenon theoretically and illustrate it through case-based examples; through this analysis, this research contributes to our understanding of the role of bridging ties between economic clusters in SME internationalization and innovation as discussed in more detail below.

2. Clusters, connectivity, people, and pipelines

Beginning with Marshall's (1920) analysis, economists and geographers have been interested in the forces that lead to economic agglomeration. A cluster is a “geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities” (Porter, 2000: 16). Economic agglomeration theory posits that firms locate in clusters because close physical proximity creates benefits for firms that exceed the associated costs making them privileged sites for economic development. There is, therefore, a compelling need to reorient our thinking “in a way that sees location...as integral to [economic] success” (Porter, 2000).

There are various benefits that accrue to firms that collocate within clusters. First, the dense linkages among co-located buyers, suppliers, and customers, provide opportunities for economies of agglomeration including enabling suppliers to attain efficient scale (Scott, 1992), the direct observation of competitors (Harrison et al., 1996), and close physical proximity to customers (Porter, 1998). Second, when firms are required to respond to shifting demands (e.g., high technology, haute couture, etc.), they require a pool of specialized labor that they can obtain flexibly; since individuals who cannot secure long term employment contracts prefer to live in places where their services have the broadest market, clusters provide the added benefit of facilitating the formation of specialized labor markets (Krugman and Venables, 1995). Third, clusters enable the emergence of local relational assets leading to technological spillovers, for example, which are central to the process of learning, innovation, and economic growth (Beugelsdijk et al., 2010; Beugelsdijk and Mudambi, 2013; Jacobs, 1969; Maillat et al., 1995; Romer, 1986). Strong clusters provide a variety of benefits, therefore, and are associated with higher levels of entrepreneurship and new firm survival (Delgado et al., 2010) due, in part, to a strong managerial tie network. In fact, Frost (2001) and Almeida (1996) found that geographic proximity does matter as local firms cite each other's patents more frequently, an externality that is particularly relevant in densely populated areas where communication between people is more extensive (Glaeser and Saiz, 2004).

Prior research has suggested that agglomeration enables specialization and so cluster members benefit through improved access to specialized infrastructure and knowledge (Al-Laham and Souitaras, 2008; Andersson et al., 2013; Fernhaber et al., 2008; Zygliopoulos et al., 2006). Tallman et al. (2004) analyzed the role of these specialized knowledge stocks and flows in establishing competitive advantage at the level of the cluster. Their conceptual model suggested that long-term competitive advantage at the cluster level was based on stocks of closely held valuable knowledge that were protected by mechanisms that limited their dissemination.

From a similar perspective, Poulder and St John (1996) developed an evolutionary model that contrasted competitors within the same industry but in different clusters where, initially, economies of agglomeration, institutional forces, and managers' mental models created an innovative environment. Over time, however, those same forces created a homogeneous macro culture that suppressed innovation, leading these firms to an increased susceptibility to environmental jolts. In essence, the barriers to information flow create a social milieu within the cluster that, over time, acts as an insulating mechanism. In fact, early work on attention within clusters found that local supplier group preferences were more powerful than distant customer needs in determining the range of services offered by the cluster (Fennell, 1980).

These challenges, in addition to the risks of cluster membership which include the potential loss of unprotected intellectual property to local competitors (i.e., spillovers) and rising prices for scarce factors of production (e.g., leases of good quality property and skilled labor), indicate that no geographic region, however prominent, can be assured of an indefinite monopoly on ideas or innovation. As a result, cluster firms may be blinded by the local social milieu that initially fosters competitive advantage but later may facilitate its deterioration (Zaheer and George, 2004).

It remains an open question, therefore, as to how clusters respond to the centripetal forces of agglomeration described above when the search for new markets and the need for innovation cause centrifugal forces to build on cluster members. Particularly when the technological trajectory is uncertain and expanding rapidly, McKinsey and Co. suggests the value of collaboration rises at the organizational level (Global Massachusetts 2015, 2008). Further, at the level of the individual, Saxenian and Hsu (2001) found in their analysis of the linkages between Silicon Valley and Hsinchu-Taipei that communities of highly embedded individuals built social, technical, and professional bridging ties that kept the Taiwan-based cluster close to the state-of-the-art technology and leading-edge customers in the United States.

These research streams point towards the concepts of connectivity, knowledge flow, and resource transfer and how they are related to boundary-spanning social networks across geographic distance (Nanda and Khanna, 2010; Prashantham et al., 2015; Saxenian, 2006).

Lorenzen and Mudambi (2013) recently combined these ideas of various levels of interaction that achieve connectivity by putting forward the notion of “people” (i.e., “global linkages [that] are created and held by individuals, based on their mutual social proximity in the form of kinship, friendship or other types of ‘weak ties’” (p. 504) and “pipelines” (i.e., “designed and maintained by

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