



# How shared vision moderates the effects of absorptive capacity and networking on clustered firms' innovation<sup>☆</sup>



Manuel Expósito-Langa<sup>a,\*</sup>, F. Xavier Molina-Morales<sup>b</sup>, José-Vicente Tomás-Miquel<sup>a</sup>

<sup>a</sup> Business Administration Department, Universitat Politècnica de València, Valencia, Spain

<sup>b</sup> Business Administration and Marketing Department, Universitat Jaume I, Castelló de la Plana, Spain

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## ABSTRACT

This paper will contribute to the line of research that seeks to identify the determinants of firms' innovation performance. Focusing on the territorial dimension, we investigated the role played by shared vision in the effects of internal resources (absorptive capacity) and external resources (network positioning) on the innovation of firms. To address the research questions, the empirical study drew on a sample of firms belonging to the Valencian textile cluster in Spain. Our findings suggest that networking and firm resources affect performance independently. Furthermore, internal and relational resources are positively active thanks to shared vision. More generally, we aim to contribute to the discussion on the degree to which firms should be involved in the cluster network in order to gain competitive advantages.

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## 1. Introduction

In the discussion on the determinants of firms' innovation performance, many relevant advances have been made by researchers over the last few decades. Specifically, authors seem to have abandoned once and for all simplistic considerations on the false debate between internal versus external determining factors, understanding firms as interconnected organizations (Zaheer & Bell, 2005).

On the one hand, internal capacities are needed to capture, combine and exploit all types of resources, particularly those related to innovation. It is commonly accepted that organizations vary widely in their capability to develop, understand, or use knowledge and innovation (Cohen & Levinthal, 1990). Firms' absorptive capacity (Cohen & Levinthal, 1990) is critical to be able to use and benefit from externally acquired knowledge—particularly new knowledge (Zahra & George, 2002). On the other hand, in the current economic and entrepreneurial context, complexity and full-scale innovation requirements move firms forward to interact

with external actors. Firms cannot rely solely on internal sourcing, and thus require knowledge from beyond their boundaries when developing their innovations (Rigby & Zook, 2002). Recently, scholars have drawn on the network literature to highlight the importance of the external resources available to firms through their networks (Gulati, 1999; Gnyawali & Madhavan, 2001; Bengtsson and Örtjan, 2004 McEvily & Marcus, 2005). The location of the firm within its network of relationships is becoming an increasingly more important key factor to enhance the value creation of firms.

In sum, the literature is rich in evidence on the relevant role of both internal and external resources for innovation and also the interactions between them (Cassiman & Veugelers, 2006).

We start with these considerations and we would like to go further by focusing specifically on the effects and interactions involved in innovation processes. Particularly, this paper underlines the relevance of the role played by shared vision in the effects of internal resources (absorptive capacity) and external resources (network positioning) on the innovation of firms. We understand shared vision as a mechanism that embodies the collective goals and aspirations of the members of a network and helps to integrate or to combine resources (Tsai & Ghoshal, 1998). Common values and a shared vision are the major manifestations of the cognitive dimension of social capital, and may encourage the development of trusting relationships. Differently, network positioning refers to the position of the individual actor in the network, affecting to the relational resources, number of ties, brokerage roles and so on.

In addition we have extended this literature by exploring the territorial dimension of these processes. Thus, a cluster is

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\* Corresponding author.

E-mail addresses: [maexlan@doe.upv.es](mailto:maexlan@doe.upv.es) (M. Expósito-Langa), [xavier.molina@emp.uji.es](mailto:xavier.molina@emp.uji.es) (F. X. Molina-Morales), [jotomi@doe.upv.es](mailto:jotomi@doe.upv.es) (J.-V. Tomás-Miquel).

identified as a network within a production context in a geographically defined area (Boschma & Ter Wal, 2007; Parrilli & Sacchetti, 2008). Thanks to geographical proximity, common learning and knowledge flows between different actors become frequent phenomena. Thus, spaces and the idea of networks as vehicles of knowledge transfer and diffusion greatly overlap (Boschma & Ter Wal, 2007).

Firms' internal resources and network position may independently affect performance, and we expect firms to benefit further when they possess both a superior set of internal resources and a beneficial network structure (Zaheer & Bell, 2005). The relational resources from networking factors and internal resources from absorptive capacity are expected to be positively activated thanks to shared vision. A shared vision is a bonding mechanism that helps different parts of an (organizational) network to integrate or to combine resources. Hence, shared vision acts as facilitator of the absorptive capacity and network position and could mediate their influence (Upadhyayula & Kumar, 2004) on firms' outcomes as innovation.

To address the research question, the empirical study draws on a sample of firms belonging to the textile industrial cluster of Valencia, located in one of the most important industrial areas in eastern Spain. Findings confirm a relevant role played by shared vision as a moderating factor between the determinants of the innovation of clustered firms.

The paper is structured as follows, first the theoretical framework is presented, then the hypotheses are justified and formulated, the empirical study is described and finally we discuss conclusions and implications of our findings.

## 2. Theoretical framework and hypotheses

### 2.1. Social capital and shared vision in clusters

Industrial clusters can be defined as a network of inter-organizational relationships between different actors, such as customers, competitors, suppliers, support organizations and local institutions (Piore, 1990). Geographical proximity and a strong feeling of belonging are primary elements facilitating such relationships, which are in turn based on norms and values such as trust and reciprocity, among others (Antonelli, 2000).

Recent research on industrial clusters has led researchers to reconsider the main drivers of cluster innovation, shifting the focus to the role of firms' internal resources and capabilities (Hassink, 2008). In this vein, our theoretical proposal recognizes the cluster's internal heterogeneity, thus granting a prominent role to the characteristics of the individual firm (Giuliani, 2005; Boschma & Ter Wal, 2007). Secondly, we assume the potential relevance of the portfolio of relationships of a clustered firm determining its network position (Boari, Odorici, & Zamarian, 2002; Capaldo, 2007; Coombs, Deeds, & Ireland, 2009; Li, Veliyath, & Tan, 2013; Molina-Morales & Martinez-Fernandez, 2009). Lastly, we consider the degree to which members of the network share goals and have similar perceptions of how to act with others, and the exchange of ideas and resources as an amplification of the positive effects of both internal and external resources (Inkpen & Tsang, 2005).

Social capital as rooted in relationships has many different attributes. Following Nahapiet and Ghoshal (1998) is analytically useful to distinguish three highly interconnected different dimensions: The structural dimension that concerns the density or dispersion of the network of ties. The nature of the ties is related to the two additional relational (strength) and cognitive (shared goals and culture) dimensions. Particularly, we pay attention to the cognitive dimension of the social capital, probably the most unexploited of them. According to Tsai and Ghoshal (1998), the cognitive dimension is related to the shared vision among network

members, and includes collective objectives and aspirations. Under these relational conditions members of the network thus have more opportunities for a free exchange of ideas and resources.

The notion of shared vision was used extensively in the organizational field. Shared vision is related to the traditional concept of goal-oriented implementation and consensus-building in strategy and leadership literatures (Thompson & Tuden, 1959). Recent literature on organizational learning has reinvigorated the concept of consensus-building, and calls for better understanding of shared vision as a transformational mechanism of a learning organization (Senge, 1990; Sinkula, Baker, & Noordewier, 1997). In this context, shared vision is defined as the organizational values that promote the overall active involvement of organizational (network) members in the development, communication, dissemination, and implementation of organizational goals, contrary to the traditional top-down approach (Wang & Rafiq, 2009).

As Tsai and Ghoshal (1998) suggested, shared vision and other elements such as shared goals, culture or shared values are expressions of cognitive social capital that favor trusting relationships in the strong ties. On the other hand, social interactions play a critical role in shaping goals and values among the members of the network. Shared vision represents the degree to which the members of the network share an understanding of and perspective on the achievement of the network's activities and results.

Sharing goals and vision means that network actors have similar perceptions of how to act with others. In this context, the exchange of ideas and resources may be fostered (Inkpen & Tsang, 2005). On the other hand, common culture refers to the set of institutionalized rules and norms that govern behavior in the network (Inkpen & Tsang, 2005). In this respect, sharing the same entrepreneurial culture implies sharing concepts such as objectives, concerns, processes, routines, etc. (Rowley, 1997). In consequence, common culture includes many different aspects, such as codes, language, histories, visions or goals. All these elements permit and improve the understanding between parties involved in the relationship, thereby facilitating knowledge transmission.

In our case we extended the notion of shared vision to the external interorganizational relationships. In fact, we assume that to some extent the organization in a network reproduces single organization conditions. In clusters organizational proximity, similarity founded in shared vision leads the actors to be connected by sharing the same reference space and knowledge so that they perceive, interpret and evaluate the world in a similar way (Presutti, Boari, & Majocchi, 2011). Proximity and interaction intensity, characteristic of districts, play a key role in sharing goals and building common values between network members. In this way, actors adopt common codes, values and practices through social interactions (Tsai & Ghoshal 1998). In conclusion, clusters can be described as groups of firms embedded in a strong local network and sharing a relatively homogenous system of values and ideas (Barabel, Huault, & Meier, 2007; Becattini, 1990). In this respect, some studies observe greater shared culture and values in firms belonging to clusters as compared with external firms (Parra-Requena, Molina-Morales, & García-Villaverde, 2010). In conclusion, shared vision can be viewed as a relational mechanism that helps network members to integrate, exchange resources and obtain relevant knowledge.

### 2.2. Effects of shared vision and absorptive capacity on clustered firms' innovation

In accordance with some previous innovation research, we consider firms' absorptive capacity as one of the most important determinants (Zahra & George, 2002). The concept of absorptive

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