

KNOWLEDGE MODEL FOR CREATIVE INDUSTRY INTERNATIONALIZATION

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This study aims to serve as a valuable tool for researchers and practitioners to understand the concept of experiential knowledge in internationalization process and providing the model of knowledge requirement for international creative industry. An extensive literature review was carried out in experiential knowledge which spread in ISI Web of Science, Emerald, EBSCOS, and Science Direct.

A total of 10 articles from conceptual to empirical paper since 1995 until 2017.

This study resume four types of experiential knowledge for international creative industry which are internationalization knowledge, Institutional knowledge, business knowledge and technological knowledge. This study suggests to test the model empirically in the future research.

Keywords: internationalization knowledge, institutional knowledge, business knowledge and technological knowledge, experiential knowledge, international performance and creative industry

Introduction

The latest concepts of new economics which are information and creativity, both stem from the idea that knowledge belonging to human resources is the driving force of all economic activities. Traditional industries are quite known and well studied in what concerns their exporting but there are just a few empirical studies concerning the internationalization process within creative industries. At the same time, creative industries are already contributing quite a lot to global economy. Still, most of the studies on these industries plainly discuss their profiles (Fillis, 2004), external factors (He, 2011), policy-making in their regard (Foord, 2008; Kim & Kim, 2014) and the accompanying cultural factors (Hui, 2006). Most of these and some other studies agree on one thing: SME tend to be much strongly dependent on their knowledge resources as opposed to businesses of all other sizes.

This trend is relevant for the creative industries too. In other words, creative SMEs should understand which knowledge specifically will be helpful in the course of their internalization and how knowledge may overall influence their performance. Both these dependencies are obviously understudied.



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Wresti (2015) outlined several obstacles to the development of creative industries, *inter alia*: low quality of human resources' skills and little knowledge; underdeveloped infrastructure and problematic access to the most advanced technologies; complications with access to financing, same applies to access onto foreign markets; inability to get engaged in international networking with other creative people. Experiential knowledge (EK) is a highly appropriate construct in the context of business internationalization. Noteworthy, relatively little research has been conducted on how different experiences turn into different types of knowledge, and how different combinations of the latter then influence the internationalization of firms. One of only a few studies in this regard has been carried out by Eriksson et al. (1997). The author actually offered for consideration three types of EK as applied to the internationalization process.

Eriksson et al. (1997, 2000) proposed a knowledge model for internationalization of SMEs taking into account the EK factor. More specifically, these authors divided EK into Internationalization Knowledge (IK), Institutional knowledge (ITK) and business knowledge (BK). Later on, this division became the referral point for other researchers such as Autio et al., (2000), Hadley & Wilson, (2003), Zhou (2007), and Hilmersson (2014). Yet, Hilmersson (2014), actually, used 3 variables of EK and added one more variable -- the social network.

Experiential Knowledge (EK)

EK plays the leading role in firms' internationalization. Experienced-based knowledge is often positively linked to business competencies, especially when it comes to opportunities for international expansion (Hohenthal et al., 2003). At the stage of market entry, EK usually has the uncertainty-reducing effect in everything what concerns engagement in international operations (Johanson and Vahlne, 1977, 2009). Additionally, previous export experiences may have a cost-reducing effect when firms choose to expand their international activity (Dikova and Witteloostuijn, 2007; Eriksson et al., 1997).

Fleisher et al. (2007) described EK as the result of consistent repetitive actions, same as later in (Eriksson et al., 1997), which are both cumulative and path-dependent (Autio, 2005). EK helps with all the limitations in managers' intellectual capacity when it comes to the internationalization process (Schweizer, 2012). Eriksson (1997) additionally stated that EK not only reduces the risks when business is going abroad, but also provides a way to get new knowledge of both internal and external resources combined. In other words, EK is knowledge about internal and external resources that come up in the course of repeated activity and are needed for raising business performance. Such knowledge can be about many things: firm itself, its competitors and customers, the related institutions, government, external markets and so on.

Objective & Methods

The key objective of this systematic review is twofold. First of all, we aim at providing thorough and detailed information on the EK research topic as such. We have analyzed the latest 10+ years of research in this field and proposes key areas that need to be explored further. Five most known internationally academic databases were extensively used in the course of this research: Web of Science, Scopus, Emerald, EBSCOhost, and ScienceDirect. The selected time range was from 1995 till 2017.

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The articles were identified according to the title, abstract and keywords. More specifically, we concentrated on such keywords as EK, IK, BK, ITK and TK and also some of other keywords that fit our subject: “internationalization, international performance, business and management”. Therefore, we have detected 118 articles which were then thoroughly sorted to detect those that really meet our inclusion criteria (thus, they also need to be examined further). The rest were automatically excluded.

Therefore, our study reviews the most relevant research studies addressing the EK issues in the context of internationalization processes. 89 articles were selected as the direct fit, while after their detailed assessment, only 10 articles turned out to be directly covering the object. This is yet another proof how understudied is the topic in question.

Results

Results presented in (Eriksson, 1997) confirm there is a cost associated with EK in the course of firm’s internationalization. Further analysis also shows that in the process of internationalization firms are forced to concentrate on EK on individual clients and specific markets, as well as on several related institutional factors such as local legislation, local governments and local cultures. Presence abroad always entails some related costs. These costs cover, inter alia, collection, encoding, transfer and later decoding of knowledge, as well as changing processes and routines inside organization accordingly. The analysis also revealed that firm’s own experience in internationalization has its impact on the perceived costs. The key constructs of their study were international knowledge, BK and ITK.

Hadley and Wilson (2003) investigated the relation between IK, ITK, BK at the level of company internationalization as well as at the level of network internationalization. IK is related to company’s need for EK that would, in its turn, facilitate the internationalization process, for example, through adapting own capabilities and all available resources to the international environment.

Hilmersson (2012) emphasized that in the course of internationalization businesses also generate different types of experiences which are later transformed into knowledge of different types. Their factor analysis determined 4 types of knowledge, depending on a degree of specificity: IK, ITK, business network knowledge and social network knowledge. Three types of EK are yet another confirmation for the findings of previous studied on internationalization while the major contribution of this particular study became the introduction of a new type of EK for internationalization research -- social network knowledge. This notion concerns social networking in a host country, noteworthy, it is different from standard business networking. Other, more recent findings confirm the importance of social relations and networks in international business behavior and success among SMEs (Björkman and Kock, 1995; Coviello, 2006; Evers and O’Gorman, 2011). So, for SMEs specifically social networking in a new country might be much more important and relevant than business networking.

TK is EK but in the field of technologies basing on which firm’s products are built. It is also sometimes known as knowledge of operations. This type of knowledge is purely technological and has hardly any business element in its essence. International knowledge is EK about doing business in the international settings.

The results of all these studies also showed that TK is positively correlated with both international growth (Yli-Renko et al., 2002) and better financial performance (Zahra et al.,

2000). Nearly all previous studies have demonstrated that different kinds of knowledge influence the internationalization of SMEs. Other previous studies identified three types of knowledge as the most relevant for business internationalization: general knowledge, TK and market knowledge (Fletcher and Harris, 2012). TK is mostly applied by the companies that would like to develop and adapt products for new (for them) markets and/or to prevent own business stagnation at the existing markets.

TK can be highly specific as per each company, but it is never country-specific. The major advantage from TK is provision of company-specific advantage which can be later transferred across national borders. Many contemporary studies confirm that managers do their best to proactively acquire objective, experiential knowledge about the most advanced technologies, since the latter are vitally important for their course of internationalization. Having sufficient experience in a field does not cancel the need for searching more knowledge, actually. Those businesses that can successfully integrate their own experience with EK, are also able to learn from various domestic and foreign sources. At this, firms can get various sources of knowledge since using one source does not make all other potential sources automatically unavailable. Such sources may include, for example, industry partners, loyal customers, long-term suppliers, government authorities, outside invited consultants, and even just occasional contacts. Firms can even recruit certain individuals with high level of EK if they are really striving for objective knowledge.

Han and Afolabi (2014) support the idea that the most resourceful way for getting this kind of knowledge is through combining international networking with domestic one, mostly because knowledge of international level can best be obtained through sharing of information with other business people. Interestingly, knowledge, developed through R&D, would be much easier to obtain at the local level, as the latter exploit EK/IK, BK, ITK and TK.

EK consists mostly of knowledge on networking, venturing and internationalization processes. This is essential because all businesses these days tend to trust more the knowledge accumulated from experience rather than new information obtained in the course of expansion.

Another knowledge type is ITK. It focuses on the knowledge about government, other institutional frameworks, various regulations and norms as well as cultural beliefs (Eriksson et al., 1997). This inevitable means many challenges arising from such cross-national differences. Foreign BK includes knowledge on customers, suppliers, and competitors, all providing an advantage for the business which is developing internationally. Such an advantage comes in because BK is able to help businesses with better customer relations, it can also help with predicting competitor behavior and reacting to market demands. Getting solid knowledge on customers' willingness to cooperate can actually become the foundation upon which a small or mid-sized business can develop its new business directions.

Zhou (2007) measured the international performance of 500 Chinese companies in terms of their entrepreneurial proclivity and EK which is based on ITK, IK and BK.

Technological and market knowledge coming from networks in host countries has been also studied quite extensively. Both research and real business practice show that managers' experiential learning within the networks in host countries can influence later the subsidiary knowledge and subsidiaries' performance. In fact, managers own experiential learning contributes to subsidiary's knowledge, as it improves the trust in network relationships and is able to open up new opportunities. The subsidiary, through such an experiential learning

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flow, can then internalize the obtained knowledge, thus filling in own knowledge gaps and, of course, this can have only positive influence on subsidiary's performance.

Finally, internationalization (general) knowledge covers marketing methods and common description of customers' types, no matter what is their geographical location. IK is not country-specific at all, because it is about international markets in the most general sense. IK can help with ongoing internationalization onto new markets through adding new strategic market entry decisions.

Conclusion

This study may conclude with a new combination of EK dimension that is required specifically for the international creative industry.

International knowledge (IK) is one of the broadest concepts in our study as it is encompassing both specificity of international industries and marketing experience (Blomstrom et al., 2004; Eriksson et al., 1997) and also EK in part of conducting business within international settings.

Internationalization (general) knowledge concerns the most widely used marketing methods and general overview of the most standard types of customers, disregarding the factor of their geographical location. IK is never country-specific issue as it initially belongs to the context of international markets (Han & Afolabi, 2014).

The second by importance construct is ITK. It focuses on the knowledge about government bodies, institutional frameworks, and regulations, various rules and so on (Han & Afolabi, 2014; Zhou, 2010; Eriksson et al., 1997). ITK is nearly always significantly related to the volume which firms have invested in their foreign assets and also to their foreign earnings (Blomstermo et al., 2004; Eriksson et al., 1997; Petersen et al., 2008). The greater ITK the company has, the lower would be the liability of being a new firm in a host country (Hilmersson, 2014).

The third construct of interest for us has been BK which covers the knowledge on customers, competitors and suppliers (Blomstrom et al., 2004; Eriksson et al., 1997). The key advantage from BK is that it helps companies with customer relationship and also with predicting competitors' behavior and reacting to quickly changing market demands. Such knowledge about customers' willingness to cooperate seems to be a solid foundation on which SMEs can develop further and grow internationally.

The fourth core construct is TK. Here, we see the role of TK as a construct of EK with a special emphasis on performance and internal resources (Peng et al., 2009). Technological knowledge is also able to reveal the internal aspects of a company, whether it has enough technological skills for going global, or it should improve its own ability to innovate by hiring new professionals or getting technical expertise in some other way.

Creative industries are always technology-based, for example, games, movies, design objects, architecture, advertisement etc. Thus, in such a context TK can be defined as EK which stems from the technology around which the company can initiate and develop its new product.

In our opinion, future research in this direction should consider the possible influences from other variables involved. A case study method seems to be potentially suitable for this as it is able to provide deeper understanding of the factors explaining internationalization.

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