



Innovation in tradition-based firms: dynamic knowledge for international competitiveness

Innovation
in tradition-
based firms

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Abstract

Purpose – The purpose of this paper is to propose a model of innovation and internationalization for small- and medium enterprises (SMEs) and at testing it on tradition-based firms. These are SMEs whose productions reflect their territory's cultural identity. They are often micro-firms and weak in global markets. Since these firms characterize the European and Italian offer, the scientific challenge is to verify whether there are possible strategic paths, mainly based on interfirm collaboration and dynamic knowledge, that can help them getting higher levels of competitiveness. More specifically, the proposed model aims at understanding if it is possible to overcome these firms' weaknesses through collaboration in networking perspective.

Design/methodology/approach – Methodology uses theoretical backgrounds in order to define hypotheses. The main approach starts from contributions on RBT and dynamic capabilities and their possible linkages in the internationalization perspective. Thus, considering the aims, the paper analyze if according to resource-based approach, dynamic capabilities allow entrepreneurs to seek opportunities which become strategic resources for a sustainable competitive advantage. This issue is analyzed both in theoretical terms and in its empirical implications in artistic craft sector. The empirical research has been designed in order to explain knowledge creation and transfer processes, in terms of firms' competitiveness. Particularly, the analysis adopts multiple case studies methodology.

Findings – Tradition-based "Made in Italy" SMEs, as depicted in the empirical analysis, are characterized by limited size and scarce financial resources. This situation determines a difficult access to innovation in order to compete in global market. Thus, the research has highlighted that the only internationalization path, useful for this kind of firms, is cooperation, in a networking perspective. Firms that succeed in this process not only set the basis for survival but even to gain competitive advantage.

Practical implications – Through this analysis, the paper proposes a model of innovation and internationalization for SMEs' development. Particularly, the model will be replicable to all those firms that are expression of cultural identity (e.g. "made in") and of tradition, for which innovation and internationalization can represent useful keys to compete globally.

Originality/value – The paper provides a connection between RBT, dynamic capabilities and internationalization theories applied to tradition-based sectors, such as craft, in search of innovation, in order to compete internationally. So the paper investigates also on the internationalization and networking processes, in order to verify if combined dynamic capabilities and resources are able to make these firms more competitive. Moreover, the research field is quite unexplored and represents an important step in the theoretical and empirical evolution.

Keywords Case studies, Competitive strategy, Corporate culture

Paper type Case study



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Introduction

Globalization of markets and competition, sudden changes in technology, speed in the spread of information are some of the main issues that explain the difficulties of small- and medium enterprises (SMEs) in surviving in the market and in gaining high levels of competitiveness. This situation is particularly true for SMEs that work in traditional “Made in Italy” sectors, like craftsmanship. In a growing external uncertainty and unpredictability, it becomes more and more difficult for small and medium enterprises to keep competitiveness.

The aim of the present research is that of defining a theoretical and framework, able to identify a possible path of development for tradition-based SMEs. In fact, these firms result rather weak, both in strategy and organization, even if they are the expression of cultural identity of a specific area. In this direction, the proposed model aims at understanding if it is possible to overcome these weaknesses through collaboration in a networking perspective.

In this direction, we analyze whether, in resource-based theory (RBT), dynamic capabilities allow entrepreneurs to seek opportunities which become strategic resources in order to achieve a sustainable competitive advantage. This issue is analyzed both in a theoretical perspective, considering the literature developed on the issue over time, and in terms of empirical implications in the artistic craft of Neapolitan traditional SMEs. Through this analysis, the aim is that of creating a model of innovation for SMEs’ development. The proposed model is replicable for those firms that are expression of “made in” productions, that is of the style, culture and tradition of a specific territory, searching innovation in order to compete globally.

In this direction, it is necessary to clarify the nature of artistic craft firms. They are expression of territorial identity: they influence and are influenced by the territory, determining a sort of “cultural traceability” that, if not managed in an innovative way, can be a hindrance to the process of internationalization.

For these reasons, our aim is to analyze how and in which way dynamic capabilities can be strategic for traditional productions, such as artistic craft, to face a hypercompetitive environment and to protect local resources and traditions in an innovative key.

The paper provides a connection between RBT, dynamic capabilities and internationalization theories applied to tradition-based sectors, such as craft, in search of innovation, in order to compete internationally. So we investigate also on the internationalization and networking processes, in order to verify if combined dynamic capabilities and resources are able to make these firms more competitive.

Based on these theoretical assumptions, empirical research focusses on Neapolitan artistic craft, analyzed with respect to the variables provided by the scientific literature. So, the empirical section aims at collecting on field data through the observation of Neapolitan artistic craft. It is a first application of the model, useful to check its validity as decision support system.

In order to satisfy our research aims, we have applied to the analysis an inductive-deductive methodology. Starting from the definition of research hypotheses on the basis of the chosen theoretical background, these hypotheses have been developed through the empirical analysis, that is mainly qualitative. Results can be relevant, both for scholars and practitioners, since possible paths of innovation and development can be drawn in leading small and medium enterprises .

Theoretical background: RBT and dynamic capabilities

The theoretical background starts to analyze the main contributions on RBT and dynamic capabilities and their possible linkages.

According to RBT a firm develops competitive advantage not only acquiring but also developing, combining and effectively deploying its physical, human and organizational resources (Barney, 1991, 2006). When firm resources are valuable, rare, difficult and/or costly to imitate and used in the organization, they make the firm able to achieve sustainable competitive advantage (Wernerfelt, 1984; Barney, 1986a, 2001, 2006; Dierickx and Cool, 1989; Grant, 1996; Ray *et al.*, 2001; Della Corte and Sciarelli, 2006, 2009; Newbert, 2007). Differences in firms' performances are due primarily to their unique resources and capabilities rather than to the industry's structural characteristics. This theory assumes that firms acquire different resources and develop unique capabilities based on how they combine and use their resources; these resources are not highly mobile across firms and the differences in resources and capabilities are the basis of competitive advantage. The conditions to gain a sustainable competitive advantage are that resources must be valuable, rare, costly to imitate and exploited by organization. Resources are valuable when they allow a firm to take advantage of opportunities and neutralize threats in its external environment. They are rare when possessed by a few competitors. They are costly to imitate when other firms either cannot obtain them or are at a cost disadvantage in obtaining them, compared with the firm that already possesses them. If these resource are exploited in organizational terms, they generate a sustainable competitive advantage (Barney, 2006).

Currently, RBT is one of the main frameworks in the scientific literature of strategic management (Newbert, 2007; Kraaijenbrink *et al.*, 2010). This framework has its origins in the work of Edith Penrose, who defined the firm as an unique bundle of resources on which competitive advantage depends (Penrose, 1959).

Wernerfelt (1984) proposes the concept of the "resource position barrier" which inspires scholars to consider differentiating firm resources as sources of sustainable competitive advantage. Some authors theorize that when a firm owns resources that are valuable, rare, inimitable and exploited by the organization, it can achieve a sustainable competitive advantage by implementing new value-creating strategies that are difficult to duplicate (Wernerfelt, 1984; Barney, 1986a, 2001, 2006; Dierickx and Cool, 1989; Grant, 1991; Della Corte and Sciarelli, 1999).

According to some studies, the dynamic capabilities approach (dynamic capability view (DCV)) represents an evolution of RBT in cases of highly volatile markets (Ambrosini and Bowman, 2009; Eisenhardt and Martin, 2000; Teece *et al.*, 1997). For these reasons, researchers propose a dynamic capability approach in order to use resources for competitive advantage (Eisenhardt and Martin, 2000; Teece *et al.*, 1997). The firm's capability of switching its resources' set in order to compete in a changing and hypercompetitive market (typical position of dynamic capability perspective), in RBT overview, can be defined as a strategic resource, able to lead to sustainable competitive advantage. Barney (1986a, b) pointed out that if all firms know the value of a particular strategic asset, they will bid up its price and compete away all of the profit that they might otherwise have derived from its use. Moreover, Dierickx and Cool (1989) suggested that if strategic factors are not buyable, firms can just try to create them internally. Creating new resources depends on innovation, which in turn relies on knowledge recombination as the source of new ideas (Galunic and Rodan, 1998). More specifically, the relation between knowledge and innovation grounded several studies,

with particular reference to the importance of knowledge sharing in order to develop innovation processes (Ahuja, 2000a).

The concept of dynamic capabilities was introduced by Teece and Pisano (1994) and Teece *et al.* (1997) who asserted that in a dynamic environment a firm's competitive advantage is based on the firm's internal processes and routines that enable the firm to renew and change its stock of organizational capabilities thereby making it possible to deliver a constant stream of new and innovative products and services to customers (Zhou and Li, 2010). For these reasons, the interest in dynamic capabilities has created a focus on the processes in a firm, aimed at developing and renewing the resource-based of the firm (Teece and Pisano, 1994; Teece *et al.*, 1997; Dosi, 1991; Schroeder *et al.*, 2002). The key implication of dynamic capabilities is that firms are competing not only on their ability to activate and exploit their existing resources and organizational capabilities, but also and mainly on their capability to renew and develop the already existing ones rather than to create new ones. In fact, in the dynamic capabilities perspective, the dynamicity refers to the capacity of renewing competencies in order to match with the changing business environment. Meanwhile, capabilities emphasize the role of the firm's ability to appropriately adapt, integrate and reconfigure skills, resources and functional competencies in order to achieve new and innovative forms of competitive advantage (Teece *et al.*, 1997).

In the beginning, this approach focussed on the exclusive recombination of resources generated by the business needs to respond to trends in the external environment (adaptive behavior).

With the growth of competitive complexity, this concept has also been emphasizing the development of incremental opportunities to recombine resources and skills to generate new ones that are often more difficult to imitate. In fact, if we concentrate our attention on inimitability of resources, dynamic capabilities refer to firms' capacity to have a proactive approach to market in order to exploit internal and external resources to address firm's changing environment (Augier and Teece, 2007).

In the dynamic markets, considered as environments characterized by high uncertainty and unpredictability, where the competitive dynamic is changing rapidly in a manner and intensity of not simple to predict and assess prior (Knight, 1921), competitive advantage bases on the ability to develop resources and capabilities that form the basis of products and services offered by the firm, thereby constantly renewing the competitive advantages of the firm. Innovation, in particular, plays an active role in the field of strategic management in order to gain and maintain competitive advantage (Zheng *et al.*, 2011). Building on previous research on the resource-based view (Penrose 1995; Wernerfelt, 1984; Barney, 1991; Peteraf, 1993), the dynamic capabilities concept has added to our understanding of the challenges involved in following a resource-based approach to strategy. Strategy should also be a battle for sustained development of the firm's organizational capabilities (Teece *et al.*, 1997) and not just a battle for strong market positions. In the long run, it is insufficient to have strong resources and organizational capabilities, firms must also possess strong organizational routines for developing an renewing these resources and organizational capabilities. Organizational transformation, in fact, depends, above all, on organizational history, inherited routines and managers' bounded rationality (Dixon *et al.*, 2010). This is especially true for that companies competing in dynamic markets (Drnevich and Kriauciunas, 2011). Dynamic capabilities can be seen as an evolution of RBT where the firm is conceived as a collection of resources. In this direction, competitive advantage originates from the creative integration and subsequent exploitation of these resources in

the market place (Teece *et al.*, 1997; Benner and Tushman, 2003). Furthermore, dynamic capabilities perspective emphasizes that the key to achieve a sustainable competitive advantage from the firm's stock of resources lies in the ability of integrating different resources in order to form strong organizational capabilities (Grant, 1996; Zollo and Winter, 2002; Verona and Ravasi, 2003). So dynamic capabilities' scholars have applied RBT to firms operating in dynamic markets (Helfat and Peteraf, 2003, 2007), doubting that the mere existence of bundles of specific resources is enough to sustain competitive advantage in situations that involve rapid and unpredictable market changes (Eisenhardt and Martin, 2000; Katkalo *et al.*, 2010; Teece *et al.*, 1997). In fact, through dynamic capabilities, resources are buildable as well as able to favor a learning process in facing highly volatile environments (Eisenhardt and Martin, 2000; Newbert, 2005; Rindova and Kotha, 2001; Teece, 2007; Teece *et al.*, 1997; Zollo and Winter, 2002). More recent streams of research, however, clearly show that dynamic capabilities do not only refer to firms operating in very dynamic markets: it is of course a matter of intensity and speed in managing changes but they are overall necessary in order to operate according to a vision that considers competitive advantage itself as a dynamic entity.

Considering the single firm's capabilities, a systemic approach of interfirm network's capabilities presents some differences (Carlsson and Eliasson, 1994). Whereas the dynamic capabilities approach is more concerned with levels of firm and industry, here the focus is on a system of firms which creates and exploits the strategic capabilities. In particular, some authors (Barnir and Smith, 2002) suggest that, in the analysis of networks, the social structures, social relations and social ties need a great attention because of the influence on the context they may apply.

Besides, this perspective defines a twofold nexus between resources, competences and capabilities. More exactly, stratified and network resources and capabilities are drivers of current and new capabilities, determined by inter-firms cumulative learning. These shape the firms' system of their own peculiar economic and organizational competences (Dagnino and Di Guardo, 2007).

Within research on the dynamic capabilities at a network level there is an ongoing discussion on the mechanisms underlying the development of the firm's resources and organizational capabilities. Attention has been given to organizational learning (Ambrosini and Bowman, 2009; Winter, 2000; Zollo and Winter, 2002), organizational processes of exploitation and exploration. Eisenhardt and Martin (2000) argue that dynamic capabilities reside in well-known organizational processes such as new product development, alliancing and strategic decision making. This issue can be moved one step further and it can be posited that dynamic capabilities are composed of well-known knowledge management activities and processes – thereby establishing a connection between knowledge management and dynamic capabilities (McKelvie and Davidsson, 2009; Nielsen, 2006).

According to Shang *et al.* (2008), many researchers have suggested a linkage between dynamic capabilities and knowledge management. Verona and Ravasi (2003) stated that dynamic capabilities are critical to knowledge creation, acquisition, integration and reconfiguration, because these knowledge management processes are underpinned by the organizational dynamic capabilities. Eisenhardt and Martin (2000) noted that dynamic capabilities enable organizations to exploit existing knowledge and explore new knowledge to form a competitive advantage.

Literature pertaining to knowledge management focusses more on the building of formal systems which enhance internal learning. In today's business environment, organizations are facing rapid environmental changes and challenges. Knowledge

management can be critical to organizational success only if it is linked to a dynamic environment. Thus, the concept of dynamic capabilities that focusses on the exploration and exploitation of internal and external resources plays an important role in enhancing the usefulness of knowledge management. The knowledge-based literature considers knowledge as one of the most complex organization's resources (Alavi and Leidner, 2001). In fact, knowledge is recognized as a main source of economic rents and, thus, the management of knowledge is mainly a strategic objective sought by companies in order to enhance their competencies, capabilities and process toward gaining competitive advantage. In this direction, dynamic knowledge considers knowledge as the result of a capabilities set that constitutes its sources of competitive advantage. The creation of new knowledge does not occur in isolation form already existing capabilities. Instead, new learning (such as innovation) is the product of the firm's combinative capabilities. In fact, "innovation represents an improvement in capabilities in terms of quality, efficiency, speed, and flexibility, and helps firms play a dominant role in shaping the future of their industries" (Jiao *et al.*, 2011). Besides, dynamic capabilities for their distinctive feature adapt to the hypercompetitive environment while knowledge management allows in creating new routines processes (Cepeda and Vera, 2007).

The collaboration processes, indeed, can be considered as a source of competitive advantage because of the knowledge – the practical knowledge and the knowledge for action, in particular – generated within a cooperative process, which represent the principal component of its value (De Michelis, 2001). In this process, the organizing principles associated to the codification mechanism of knowledge transfer play a crucial role. Firms are repository of capabilities, as determined by social knowledge embedded in enduring individual relationship, structured in organizing principles (Kogut and Zander, 1992; Di Guardo and Galvagno, 2005).

From this point of view, dynamic knowledge integrates RBT in providing a coherent framework to analyze how firms develop and maintain their competitive advantage over time. Moreover, according with this perspective, dynamic knowledge overview represents an emerging and potentially integrative approach in order to understand new sources of competitive advantage in environmental volatility conditions (Weerawardena and Mavondo, 2011). This is the case of international competition for local, tradition-based firms. In our perspective, RBT and DKV represent the correct theoretical background in the definition of internationalization's strategies.

Dynamic knowledge and SMEs' internationalization

Literature on strategic management, with specific reference to internationalization, is mostly concentrated on high-tech and innovative SMEs. A strand that deals specifically with both tradition-based firms, such as artistic craft SMEs, is however missing, even if this category of firms is relevant all over Europe.

Firm internationalization has been regarded for long in the traditional literature as an incremental process, wherein firms increase their commitment to international markets in a gradual development, through a series of evolutionary stages. This approach, however, does not seem to work in the perspective of dynamic knowledge, considering hypercompetitive markets.

Hypercompetition (D'Aveni, 1995; D'Aveni and Gunther, 1994) is characterized by high demand variety and variability, sudden and often radical changes in technology

and markets' globalization. These factors make more and more difficult for firms to compete and to use their main sources of competitive advantage dynamically.

In fact, the advances in internationalization are driven by entrepreneurial orientation (Knight, 2001), which is characterized by internationalization preparation, strategic resources and innovation propensity. In this overview, the internationalization degree depends on the cultural level of the firm that is driven by dynamic capabilities, insofar as it appears to drive key strategic initiatives intended to enhance organizational performance. International entrepreneurial orientation tends to evaluate the development of strategic competences as well as internationalization preparation and innovation propensity.

In this direction, two primary stage models consider the international development in the perspective of SMEs: the U-model (Uppsala Internationalization Model) and the I-model (Model Innovation-related) enriched, in their evolutionary process, by the networking approach to RBT, entrepreneurship and dynamic knowledge view.

The first stream of research is referred to the Uppsala School. Starting from the behavioral theory of the firm (Cyert and March, 1963; Ahokangas, 1998) and Penrose's theory of knowledge (Penrose, 1959), Johanson and Vahlne (1977, 1990) developed the Uppsala Internationalization Model. According to these scholars, the internationalization process is the result of a gradual learning process, whereby the progressive market knowledge and commitment of resources influence changes in business development. In this model, the concept of foreign market commitment is composed of two factors: the amount of resources committed and the degree of commitment. The first concerns the amount of investments, considering the firm's resources and the second regards the difficulty in identifying an alternative use for those resources and in transferring them to that alternative use (referring also to the concept of sunk costs, Ahokangas, 1998). The model has been enriched by a series of subsequent contributions (the most recent: Peng, 2001; Eriksson *et al.*, 1997; Knight and Liesch, 2002; Kontinen and Ojala, 2010; Figueira-de-Lemos and Vahlne, 2011). However, there are several limitations including: certain determinism in the identification of the cause-effect relationship in the process of internationalization (Andersson, 2000); the inability to explain different paths, such as companies that are international since their start-up (Oviatt and McDougall, 1994). This approach is interesting in order to explain development of certain companies that fall under the basic assumptions (evolutionary process of incremental and progressive).

I-model proposed by Rogers (1962) considers each subsequent stage of internationalization as an expression of a firm's innovation (Gankema *et al.*, 2000; Carpinetti *et al.*, 2007), even if it is mainly focussed on exports, divided into three main stages: pre-export stage, initial stage of exports and advanced internationalization. Leonidou and Katsikeas (1996), on the basis of a deep review of the most important models (Bilkey and Tesar, 1977; Cavusgil, 1980; Reid, 1983), noted they all provide a number of fixed, sequential stages, although the number of stages varies considerably between models, ranging from as few as three to as many as six variables (Andersson, 2000).

These two models have to be enriched in terms of activities and of resources' perspective. Particularly, with reference to RBT (Reed and Defilippi, 1990; Barney, 1997, 2006), the focus is on dynamic skills in the learning process necessary for the development of new and additional resources for internationalization. Resource-based perspective identifies the importance of intangible knowledge-based resources in the achievement of sustainable competitive advantage. In these terms, the analysis aims at

deepening the dynamic abilities of organizational learning required to develop new resources. Indeed, most scholars (Chien and Tsai, 2012; Griffith *et al.*, 2006; Liao *et al.*, 2009; Zheng *et al.*, 2011) agree that knowledge resources influence the creation and the development of dynamic capabilities.

In fact, especially in artistic craft sector, firms' competitiveness is often based on resources, skills and competences acquired or controlled through their history, combined with other resources, external to the company, available through networking processes.

The analysis of the process of internationalization of SMEs can be complemented with contributions on networking (Antonelli, 1987; Fronterre, 1991; Barney, 2006) and that on entrepreneurship (Barca *et al.*, 1994; Berta, 2004).

In a network context, Johanson and Mattsson (1994) described internationalization as a "cumulative process, in which relationships are continually established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm." This view, however, seems somewhat fragmented as it focusses exclusively on relationships. Assuming that SMEs operate within their natural context, the view of Johanson and Vahlne (1990) developed by Johanson and Mattsson (1994) appears more promising. They define internationalization as the "process of developing networks of business relationships in other countries through extension, penetration, and integration." In U-model overview, network perspective points on gradual learning and on the development of market knowledge through interactions within networks. A firm's position in the network may be considered both from a micro (firm-to-firm) and from a macro (firm-to-network) perspective. This allows to define internationalization as an "alliance learning process" (Prashant and Harbir, 2009), as a process that involves articulation, codification, sharing and internalization of alliance management know-how (Zizah *et al.*, 2011).

In SMEs' internationalization, a fundamental role is that of entrepreneurs, widely recognized as the main variables in SMEs' internationalization (Miesenbock, 1988). Starting from the premise that artistic craft sector requires high levels of creativity, this last concept has to be viewed in a wider meaning as it encompasses entrepreneurship and innovation (Collaborative Economics, 2001).

In fact, entrepreneurs determine what a firm can do (organizational strengths and weaknesses) within the universe of what it might do (environmental opportunities and threats) (Foss and Eriksen, 1995), recalling the Schumpeterian concept of "innovation," different from "invention." This latter is a discovery of an outside opportunity while innovation is the ability to exploit that opportunity (Alvarez Sharon and Busenitz, 2001). Especially for artistic craft SMEs, the entrepreneur condenses most of the resources and expertise. This is the innovative approach typical of entrepreneurship (Hitt *et al.*, 1996). The dynamic capabilities are the basis for the interpretation of the past in a modern light and can therefore facilitate the process of innovation, intended as the ability to change (Andersson, 2000). Obviously, this capability is increasingly becoming a challenge because of a market characterized by globalization and hypercompetition (D'aveni and Gunther, 1994; D'Aveni, 1995). The creative spirit is the basis for the interpretation of the past in a modern key and, therefore, can facilitate the process of innovation and the ability to manage changes (Andersson, 2000). On the other hand, entrepreneurship is the way to capture what the company can achieve (depending on their strengths and weaknesses), compared with what could be done (context defined by the overarching framework of environmental threats and opportunities) (Foss, 1997; Hitt *et al.*, 2001).

The interpretation of entrepreneurship in resource-based view emphasizes that the source of competitive advantage must be sought in the entrepreneur himself

(Alvarez Sharon and Busenitz, 2001; Rangone, 1999), because of his specific business skills able to recognize external opportunities and to combine them with the firm's exiting resources, in order to determine changes (Schumpeter innovative approach – Schumpeter, 1950). In this direction, the entrepreneurial capability is linked to knowledge, relationships, experience, skills, judgment of the entrepreneur who is deputy to coordinate corporate resources (in fact, the entrepreneur – Barney *et al.*, 2001). Therefore, the entrepreneur “reforms and revolutionizes the production patterns” using innovation or unexplored technology to achieve a product/service in a new way, sometimes enough to lead a review of the entire competitive structure (Schumpeter, 1934).

In this direction, resource-based approach and entrepreneurship are hooked to those based on networking, which define how a company may be started up the internationalization of the same network to which it belongs, through a series of learning processes, in terms of market knowledge (Johanson and Mattsson, 1994). The process is developed both in dyadic relations (business-to-business) and between the firm and the network as a whole. In the first case, relationships are much stronger because of complementarity between the products/services, not only referring to the business chain (supplier-customer relationships) but also in terms of enhancing overall trade, horizontally (co-marketing initiatives) for products that match perfectly in terms of market positioning and target. This aspect, however, may also be referred to the entire network if such production compatibility is available for more market players operating in it. Everything depends on the development stage of the network and its level of internationalization, referring generally to situations in which a network is developed in order to get competitive on domestic market rather than on international market, strengthening the domestic market first and then internationally.

Neapolitan artistic craft sector

Italian artistic craft has some structural peculiarities both in legislative and managerial terms.

Craft entrepreneur is defined in relation to:

- (1) The specific activity (farming, services and products' intermediation are excluded).
- (2) The role of the entrepreneur, who directly takes part to the production process. This work is often performed “manually,” requiring specific operational skills.
- (3) Firm's size: the maximum number of employees the artistic craft firm is 40 employees.
- (4) Corporate configuration: a firm can be considered a craft one if it is a corporate entity, including cooperatives and excluding the limited liability company, public limited company, limited partnership company and limited partnership by shares company.

These factors make artistic craft firms closer to family-based ones (Corbetta, 1995; Balestra, 1996; Carone and Iacobucci, 1999; Aronof and Ward, 2001; Azzariti, 2007).

In a managerial perspective, artistic craft firms have the typical asset of small and micro businesses, often family-run, with a further peculiarity, given by their artistic activities. As said, these factors are typical of many industrial sectors, characterized by the prevalence of SMEs.

In this context an important contribute is given by the nature of “art” in the production, generally identified in the capabilities of the entrepreneur himself. This art

is the reflex of local tradition's interpretation, handed down from generation to generation. Actually, in this situation a threat rises: the generational turnover. Not always, indeed, subsequent generations intend to continue in activities that, although interesting, present weaknesses and difficulties, so to discourage the prosecution.

Artistic craft firms are also defined micro-enterprises (Casadio, 2001; Barricelli and Russo, 2005) and are often based on the entrepreneur's personal efforts, including finance (cash flow prevails as financial source for investment). This may be positive until the entrepreneur/owner is willing to risk his own resources and considers the profits' reinvestment as the first source of self-financing. On the other hand, the situation is also an undeniable weakness, compared to business growth and development paths, in order to invest more ambitiously.

In SMEs in which the entrepreneur plays a prominent role, as in the case of crafts companies, his personal characteristics (Blisson and Rana, 2001), aspirations, degree of personal risk tolerance (Keasey and Wright, 1997), culture and gender determine the capability to create complex social relationships through personal learning skills, preparation to drive the firm to social success (Sciarelli, 2007), significantly affecting the achievable relationships and development (Beecham and Cordey-Hayes, 1998). On the other hand, the strong entrepreneur's presence in the creative production process is a sort of limit to the spreading of managerial practices within the firm. This finding confirms the results of various studies, which demonstrate a lack of management skills in family business development processes (Gallo and García, 2004; Kets de Vries, 1993).

From an organizational perspective, artistic craft firms have some difficulties in the allocation of resources (human, technical and technological, financial ones – Alvarez Sharon and Barney, 2002a, b), which makes them very fragile. In order to face these weaknesses, the most innovative companies have a greater tendency to start cooperation activities (Shan, 1990). Moreover, some studies demonstrate that the process of internationalization is both the stimulus and the result of cooperation among firms (Hadjimarcou *et al.*, 2000).

Empirical research's methodology

The empirical research's methodology, used to develop the interpretative model, has been designed in order to explain knowledge transfer and knowledge creation processes, for artistic craft-based firms, and their impact on these firms' competitiveness. Particularly, the analysis has focussed on multiple case studies (Denzin and Lincoln, 2005).

Considering the explorative field of research the data needed for this qualitative meta-analysis are case studies. Case studies as tools for generating and testing theory have provided the strategic management field with ground-breaking insights (e.g. Penrose, 1960; Chandler, 1962; Pettigrew, 1973; Burgelman, 1983). This methodology therefore is ideally suited to create managerially relevant knowledge (Amabile *et al.*, 2002; Leonard-Barton, 1990). In this research, the methodology is particularly suitable. In fact, case studies seek to study phenomena in their contexts, rather than in independent of context (e.g. Pettigrew, 1973), as well as the study of artistic craft firms from a strategic and managerial point of view has to include its cultural background.

This process has to follow a strict theoretical pattern in order to be rigorous and scientifically approved Eisenhardt (1989). Many researchers (e.g. Bergh and Perry, 2006), ascribe to case studies methodology a lack of rigor. In order to face the problem, there are numerous criteria to assess the rigor. The model used in this research lies

within the positivist tradition (e.g. Behling, 1980; Cook *et al.*, 1979), though four criteria: internal validity, construct validity, external validity, and reliability (Campbell *et al.*, 1963). The first three validity types are not independent from each other.

Internal validity refers to the data selection phase (Yin, 1994). Yin sustained that case studies do not need to have a minimum number of cases, or to randomly “select” cases. On the other hand, multiple cases strengthen the results by replicating the pattern matching, thus increasing confidence in the robustness of the theory. In our selection process, first step referred to mapping whole population of craft firms with headquarter in the city of Naples. Sampling faced different problems. First of all, absence of a homogenous statistical base obstacles a clear definition of analysis target. In fact, European Commission considers craft firms all those consists of one to nine employees. Moreover, in Italy competence of the matter is at regional level. So, our sampling come from professional registers. A second step is toward definition of artistic craft that miss in the law. Therefore, with a deductive process from theory rooted in managerial and historical fields, the following quality parameters have been fundamental for selection:

- degree of notoriousness of the offered product;
- excellence in manufacturing;
- reputation of the entrepreneur at a regional and/or national and/or international level; and
- expression of local cultural identity.

In this way, the sample of case studies was selected as shown in Table I.

Construct validity needs to be considered during the data collection phase with an accurate observation of reality (Denzin and Lincoln, 1994). This second step of the empirical research has focussed on a questionnaire organized in three sections and submitted to entrepreneurs or managers of the selected firms.

Particularly, the selected firms are interviewed though a questionnaire that included open-ended questions, and organized around three main assumptions:

- the first issue is the “Entrepreneurship,” in order to collect information about the entrepreneur and his type of relations;
- the second issue is the “Process of production and operating costs,” referring to specific production processes; and
- the third issue is “Strategies,” considering vision, product positioning, clients, competitors, distribution channels.

External validity is referred to generalizability and is based on intuitive belief from theory (e.g. Calder *et al.*, 1982; McGrath and Brinberg, 1983). In this case, the research adopts analytical generalization, separate from statistical generalization in that it refers to the generalization from empirical observations to theory, rather than a population (e.g. Yin, 1994, 2009). Particularly, the research adopts theory triangulation enable to verify findings by adopting multiple perspectives (Yin, 1994). The triangulation is referred to the theoretical approach grounded in RBT, dynamic capabilities and internationalization. Therefore, once a case study is evaluated and selected, the processes of analysis are performed separately for each case study. The process entails breaking down the data into phenomena, then recombining the data into similar formats, significantly simplifying the grounded meta-analysis procedure and allowing for

Table I.
Sample of case studies

Sector	Name of firm	Presentation
Nativity art	Ulderico Pinfieldi	The laboratory of Ulderico Pinfieldi was founded twenty years ago, specialized in the "Nativity Art". Manual artistry, combined with a continue study on the statues that are inspired by the "Presepe of Cucinello" have brought production to a high quality, recognized in Italy and abroad
Glass embossed	Cembalo	Cembalo produces artistic, mainly figurative works in the field of glass and metal embossed and pulled with hammer. Stained glass reproduces figures according to medieval tradition models. He works with ancient techniques, including the composition of lead wire or other metals for melting coloured glass
Musical instruments	Raffaele Calace	The history of violin making for Calace is ancient and strictly linked to the history of the Neapolitan culture. Raffaele Calace continues the ancient art of creating mandolins in his little shop for over five generations. Produced instruments are reserved by famous musicians all over the world. A lot of these mandolins are jealously preserved by collectors and art lovers
Art of silver	Daria Catello	The company was founded in 1878 with Vincent Catello, author of important artistic works. Today, Daria Catellus makes products of silver and gold with the technique of embossing and chasing. In her studies of ancient silver manufacturing, she links restoration and recovering silversmith art of South Italy through valuable evidences
Art of jewellery	F.lli Ventrella	Ventrella family already had fame and prestige in the annals capital of the Bourbon Kingdom of Naples. They were suppliers of the Royal House. The '30's marked the real statement of the company with significant choices of taste and creativity suggestive popular Neapolitan art jewellery
Art of marble	F.lli Russo	The workshop of Domenico Russo dates back to 1880, and it is one of the last in Naples of artistic works in marble. The varieties of marble are carefully selected and ranged from fine Brazilian blue granite onyx to Pakistan for the breach of France to achieve high quality products
Art of ceramics and porcelain	Antica Manifattura Capodimonte (AMC)	From the beginning of 1900, porcelains and ceramics realized by Savastano brothers represent rare and valuable works of art, whose value is the legacy of the illustrious collection of the Capodimonte's Royal Factory. Retracing those models and decorations with careful and painstaking patience, products are shaped by the hands of true artists, and porcelain, like precious masterpieces in the most famous museums
Art of ceramics and porcelain	Dea Capodimonte	The Dea Capodimonte of Massimo De Martino is a firm worked in the field of artistic ceramics and porcelain "Capodimonte style". Since 1973, the year of his birth and foundation by the Giovanni De Martino, its production is entrusted to highly qualified personnel, running entirely by hand and all stages of the production process, realized in respect of the style imposed by the ancient art "Capodimonte"
Art of intaglio printing and bookbinding	Vittorio Avella	Vittorio Avella is one of the master craftsmen who directs his research, with professionalism and passion, to the development of the manual labour of the paper. In his laboratories, in fact, cards and even textiles, using looms, lead

(continued)

Sector	Name of firm	Presentation
Art of restoration	L'Ospedale delle bambole Giulio Criscuolo	character, inks and acid, give rise to unique art books and beautiful images and, taking shape of contemporary art works, reproduce small batches through the intaglio, lithography, screen-printing and woodcut This workshop is particularly dense of memory. Since 1800, in fact, expert craftsman using traditional manufacturing techniques taking care of the "sick" Dolls This firm dates back to the beginning of the XX century and it is one of the oldest workshops of millinery and furnishing products of Naples. The firm is one of the symbols of traditional minor arts
Millinery and furnishing		
Work with lava stone	L'Opificio Emblema	Emblema is an internationally known workshop, that produces works in lava stone. His owner set the work to a wide-ranging experimentation in handicraft production techniques, appearing as a point of deep innovation in design

Table I.

familiarity with the individual case studies. Second step is referred to complete a cross-case comparison. This constant comparative method also contributes to the internal validity of the research. Considering these factors, we have followed the theoretical approach, depicted above, in order to verify what are the strategic resources and, linked to these, what is the level of dynamicity both at single unit firm and at network level.

Reliability, or the establishment of replicability is the likelihood that a different researchers would arrive at similar analyzes and conclusions when reviewing the same data (Yin and Heald, 1975; Cooke and Morgan, 1991). Meta-analysis suggests the establishment of strategies that can be used during the initial decision to include or exclude a case study from the meta-research. Validity has been likened to “recognizable reality.” Reviewing multiple qualitative studies poses a risk to validity because “the rules of inference employed are usually unstated” (Guskin, 1984, p. 76). Ogawa and Malen (1991) propose the “establishment of clear definitions, accurate measures, and sound indicators of the phenomenon under study” (p. 277) because clear conceptual definitions allow the researcher to determine which documents to include or exclude as data (Ogawa and Malen, 1991).

Moreover, here the situation is the analysis of multiple cases study. According to Eisenhardt (1989), multiple cases study allows to build a theory through generalization and extension among individual cases. Moreover, the multiple cases allow a replication. Thus, each single cases permit independent corroboration of specific theoretical propositions. On the other hand, extension allows to elaborate more complex theory. The simultaneous analysis of single cases underlines complementary aspects of a phenomenon (Figure 1).

Case studies’ analysis

It is, however, necessary to delineate first of all the main opportunities and threats for the sector, in order to better understand the strategic analysis conducted on case studies.

A full analysis of artistic Neapolitan firms cannot ignore the threats and opportunities of the context, in RBT-based SWOT analysis perspective. Meanwhile, the strengths and weaknesses, specific of each enterprise, will be analyzed with reference to case studies.

It seems appropriate to point out that the first and perhaps most important opportunity for local craft lies in its tradition and culture that represent its distinctiveness. Local craft firms play a key role in economic and social history, which

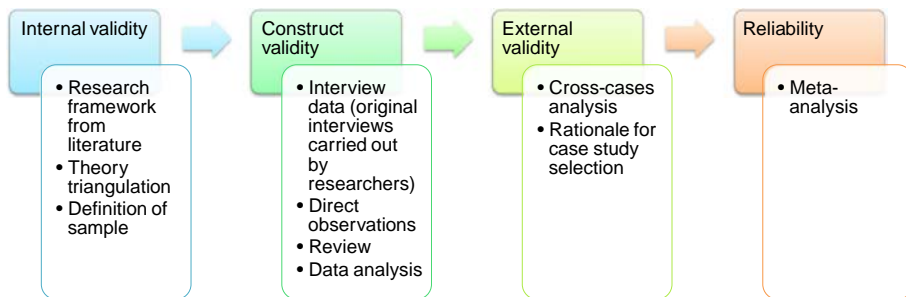


Figure 1.
Validity process

Source: Rework from Gibbert *et al.* (2005)

determines both an advantage and a disadvantage. Indeed, the profound linkage between artistic craft and its contexts determines the uniqueness of production, so to create a “cultural traceability” of productions and local culture. This relation expresses itself through the use of local resources (such as materials and styles) that become distinctive on the market. Conversely, without a well-planned strategy of innovation, the tradition can become a limit for artistic craft sector’s evolution, limiting its competitiveness on global market. Certainly the intrinsic characteristics of products of local artists represent an opportunity. In fact, just artistry and quality of production, resulting from the use of special materials and specific skills of the craftsman-artist, determine their products’ uniqueness compared to substitutive products. In fact, these productions are characterized by artistic quality and high price and are targeted to a niche market of cognoscenti with high spending power. Thus, this particular target configuration means that the sector may be less affected by periods of economic downturn. In particular, an opportunity has set from the evolution of luxury products’ markets, especially in countries like Eastern Europe and the Far East (China and India), representing the new catchment areas.

Besides, institutions and local authorities are demonstrating a renewed interest in artistic craft, defining programs, especially in financial terms, favorable to artistic craft, as evidenced, for example, by recent EU programs. These aim at enhancing the competitiveness of SMEs, encouraging the relocation and enhancement of traditional manufacturing sectors, either through national and international cooperation, or across sectors (e.g. between tourism and local crafts).

Another aspect is that of a growing awareness that the individual firm alone is not very competitive any longer, feeling the instance of a systemic development of the SMEs. In particular, a stable collaborative form is given by national and international associations and the consortia. Another type of association occurs mostly in specific situations, such as participation to business fairs.

In order to define sector threats, it is possible to consider Porter’s five forces model, as modified by Della Corte (2009). This model evaluates the competitive forces generated by direct competition, the threat of new entrants, the threat of substitutes, the bargaining power of buyers, that of suppliers and the impact of complementors, trying to understand their influence in the firms’ capability of achieving a competitive advantage (Barney, 2002; Della Corte and Sciarelli, 2006).

Particularly, the threat of actual competitors, given by the companies of the same competitive group, is of average intensity. Considering the uniqueness of products, there are many direct competitors, both nationally and internationally, even if the linkage between territory and production lowers this threat, especially with reference to niche markets.

The threat of new entrants is of lower intensity. This observation is mainly due to barriers created by difficulties in learning easily techniques and methods transmitted overtime, generation by generation, and firmly linked to local traditions.

The threat of substitute products is one of the competitive forces to monitor more strongly. In recent years, despite the peculiarities of the products, foreign competitors proposed products that, even if of lower quality, are beloved by customer targets that are more sensitive to price.

Customers, in fact, are a quite high competitive strength. Customer’s needs are evolving constantly, searching tailor made products which maximize the quality/price paradigm.

Even the competitive strength of suppliers is considered high. Thus, for craft firms, an incisive cost component is linked to raw materials, which in some cases is as high as

70 percent of total production costs. This is especially true for the high quality standards of artistic craft firms, whose raw materials often must be certified (it is the case of gold and silver). Furthermore, also the geographical location of suppliers in relation to craft workshops can influence costs strongly (such as Carrara marble).

Considering the complementors, the first category is linked to actors whose presence in a market strengthens the competitive position of the analyzed firm. In the case of Neapolitan artistic craft firms, the entrepreneurial tissue is of excellent quality and this can be considered strength for the sector, but it becomes a weakness in absence of a systemic development able to innovate the production and especially the delivery of that production. This aspect drives to the analysis of a second category of complementors: the possible partners in a larger perspective across the specific sector of artistic craft firms. So, in Neapolitan context only a narrow example of cooperation exists and this limits further development.

Another key aspect is related to labor. Today, the artistic sector suffers from two problems with respect to this point: the difficulty of skilled labor and its relative costs. In particular, this situation is determined first by the new generation's feeling of the artistic production as something "anachronistic" in face of global markets and this leads to disaffection and lack of interest of young talents on this type of production. Therefore, skilled labor is scarce and difficult to hire (Table II).

Opportunities	Threats
Historical production as a vehicle for social, economic and cultural traceability	Mass – market demand in search of good of lower quality and price
Uniqueness of handcrafted local art	High bargaining power of suppliers of raw materials
Growth of national and international initiatives aimed at the protection of traditional techniques (Confartigianato, CNA, etc.)	Excessive weight of the cost of raw materials and logistics costs
Creation of specialized agencies in the dissemination of artistic works	Presence of firms offering substitutive products at low prices
Increased susceptibility to systemic growth by creating temporary or permanent associations and consortia	Industrialization of some processes with presence of companies able to satisfy orders for large quantities
Fairs and exhibitions aimed at promoting artistic handicrafts	Generational turnover
More incentives to craft-SMEs (PASER, POIN, etc.)	High cost of skilled labor and difficulties in recruiting
ATM incentives for small businesses (CNA Naples)	Legislation often not suitable for the specific needs of artistic craft.
Growing interest of local institutions and bodies to the promotion and protection of heritage and tradition of Neapolitan craft	
Possibility cross-sectors projects	
Capability to develop different stages of internationalization, especially in the Mediterranean basin	
Considering the uniqueness of goods for niche market of savants, little affection of the economic downturn	

Table II.
Opportunities and threats
of artistic craft SMEs

Empirical evidences: some data

Empirical research confirms the theoretical assumption of the central role of the entrepreneur-artist, both in the firm and in the set of relations within networks. In fact, entrepreneurial and family management prevail (75 percent of cases).

The propensity for inter-enterprise collaboration can be evaluated considering specific aspects, taking into account several contributions from the literature (Street and Cameron, 2007):

- (1) individual characteristics of the entrepreneur;
- (2) organizational characteristics of the enterprise;
- (3) relational characteristics; and
- (4) environmental characteristics.

In relational terms, these aspects have characteristics that foster collaboration if the firm is part of a network, considering its strength (Uzzi and Gillespie, 2002), the type of governance (Baum *et al.*, 2000), the degree of trust between partners (Volery and Mensik, 1998), the relational compatibilities and the shared common objectives. An influence of context exists and is motivated by:

- the nature of the activity;
- productive sectors of reference;
- general economy; and
- territorial policy in terms of specific actions for the sector, of relations with financial markets as well as of institutional actions for the enhancement and promotion of local traditional products. Production derives from the presence of networks. Companies, developed within a district context, for example, are already absorbed by an advanced relational framework.

Endogenous and exogenous aspects interact in a constructive framework in which the overall result is not only generated exclusively by the entrepreneur or heavily influenced by the context, but results from the interaction between the two mentioned aspects (Bouchikhi, 1993; Smith and Cao, 2007).

Another important aspect referred to art tradition-base sectors is creativity, as source of competitive advantage. The 73 percent of cases (Figure 2) demonstrates that

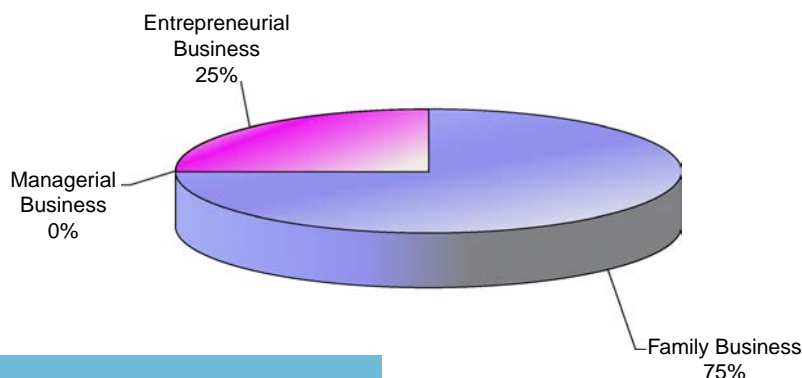


Figure 2.
Firm Management

creative development is concentrated on the entrepreneurial figure, and only in rare circumstances creation is in outsourcing, operating under the supervision of the entrepreneur. In this latter case, geographical proximity represents a facilitator of relationships between companies in the supply chain.

Added to this is the resulting difficulty in selecting and managing human resources (Figure 3). Some entrepreneurs are reluctant to recruit skilled figures owing to demand uncertainty, being also unaware of the opportunities and benefits provided by government on new engagements. However, especially in Italy labor cost is particularly high.

The promotional activities (Figure 4), essential for advertising and promoting product and brand, are still traditional and/or based on word of mouth processes. Word of mouth becomes however an interesting experiential promotional tool: the fact of seeing and appreciating an object while visiting relatives and friends can have a significant impact on consumer's preferences. Also in luxury, this aspect seems to favor exclusivity and the concentration in certain areas of production, unlike the process of massification of luxury products, based on globalization. In this context, this can also be considered a strength (Figure 5).

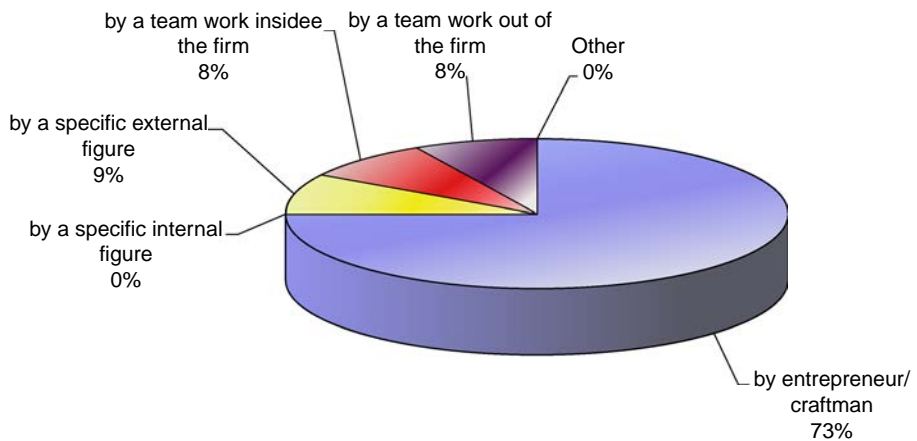


Figure 3.
Creative Development

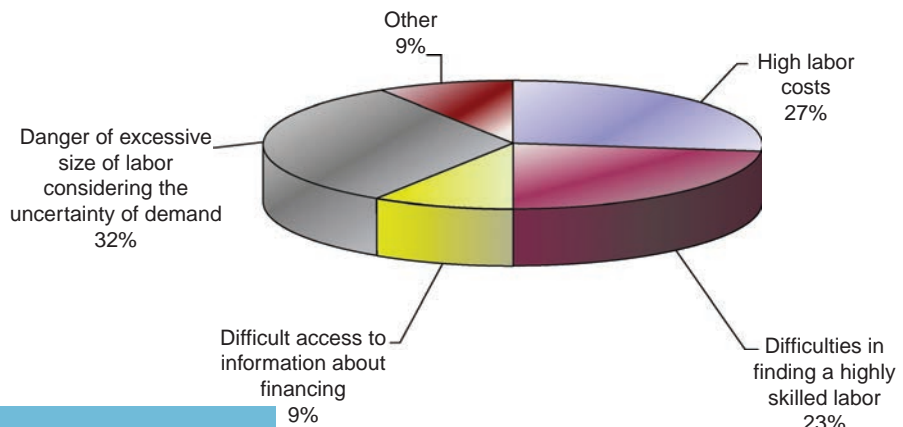
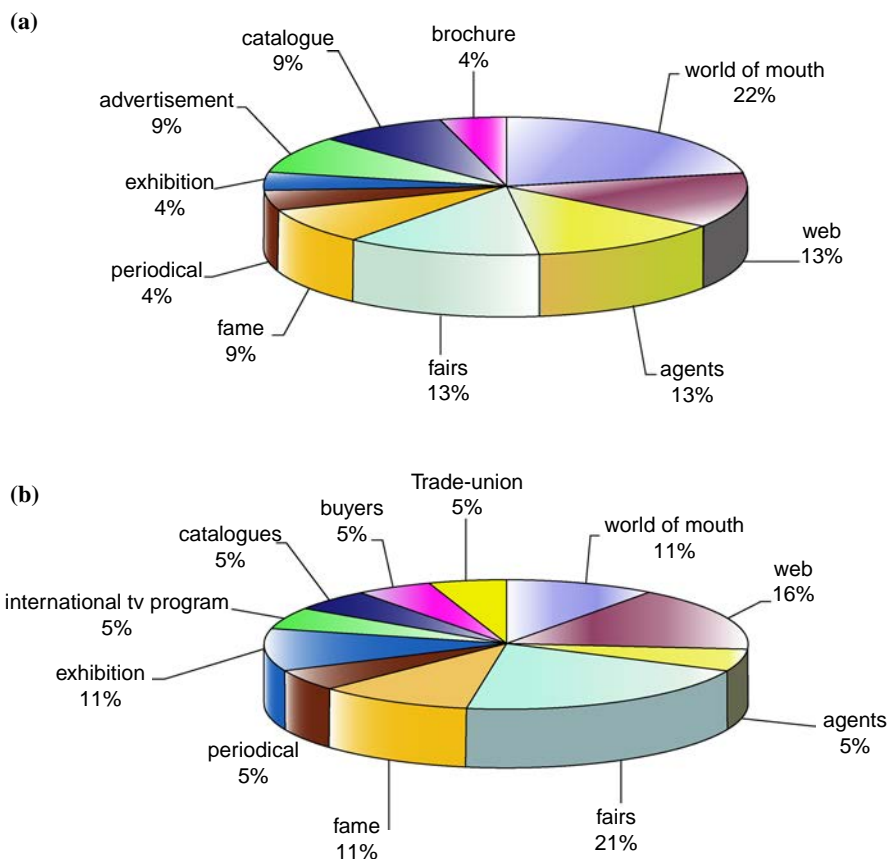


Figure 4.
Critical aspect in labor management



Note: (a) at national level; (b) at international level

Figure 5.
Promotional actions

In any case, there is no differentiation of promotion channels nationally and internationally, and especially none of the analyzed cases avails itself of business consulting or support structures in the process of internationalization.

As regards the cooperation issue, different are the ideas concerning the extension and the forms of collaboration. As it can be drawn from the chart below, some entrepreneurs consider collaboration among players important at a national level; others at an international level. Conversely, other entrepreneurs refer to the entire sector, expressing willingness both for national or international agreements. In both cases, however, only a limited number of operators consider agreements fundamental and only the 15 percent considers relations between local firms in the sector important. This still demonstrates a feeble tendency toward networking, whereas none of the interviewed is part of an aggregate of firms, apart from those within the chain.

In any case, interviewed are aware of the importance of collaboration (Figure 6). This is attributed mainly to demand factors (in 57 percent of cases, the sample refers to factors such as access to new markets, responding to the changing needs of clients and jointly participation to business fairs); to a lesser extent (43 percent) it is attributed to

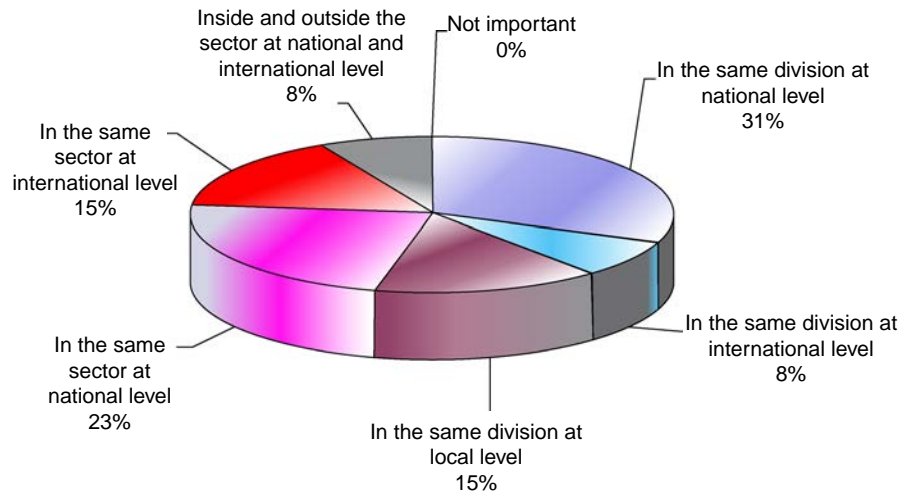


Figure 6. Importance of inter-firms cooperation within and outside artistic craft sector, at national and/or international level

offer's aspects, such as risk sharing and developing a critical mass for technological innovation in the production process.

Considering aggregation forms (Figure 7), the sample still prefers more flexible forms, such as informal agreements or associations and consortia, rather than joint investments or cross-shareholdings (Figure 8).

These results are consistent with similar studies in other countries (Zulima and Nieto, 2005), conducted on samples of thousands of family businesses, which demonstrate that the strong family centrality and the lack of external forms of equity participation are inversely related to attitude toward internationalization. In this field, an important role is played by new generations because of their greater propensity to internationalization. In fact, in cases of generational turnover, an advantage can be in a open-minded overview, coming from more highly education. In case of artistic family businesses, however, the strong traditional and manual features often do not attract younger generations.

Nevertheless, some scholars focus their attention on the process that generates competitiveness, compared to the overall potential of resources and capabilities (in terms of quality and speed in their responses to market), identifying a range of skills both in business (development of new ideas, start-up innovative strategies, commitment, intuition change) and organization (Man *et al.*, 2002). Organizational skills are found in this area, only in rare and sporadic cases.

From these results (Della Corte and Sciarelli, 2006) the need of the good inter-enterprise cooperation as a source of competitive advantage strongly emerges. In this context, the emphasis is on the chance to benefit from the resources and capabilities outside the firm and inside the network, extending the availability of advantage sources. This aspect is strategic, especially for micro-enterprises, characterized by internal resources of high value and quality but extremely fragile in front-organizational management. From this assumption, we have defined a theoretical model in order to identify the main sources of competitiveness or the relative weaknesses to ameliorate, in networking perspective, as the only possible way to strengthen the competitive process and to start growth and internationalization paths.

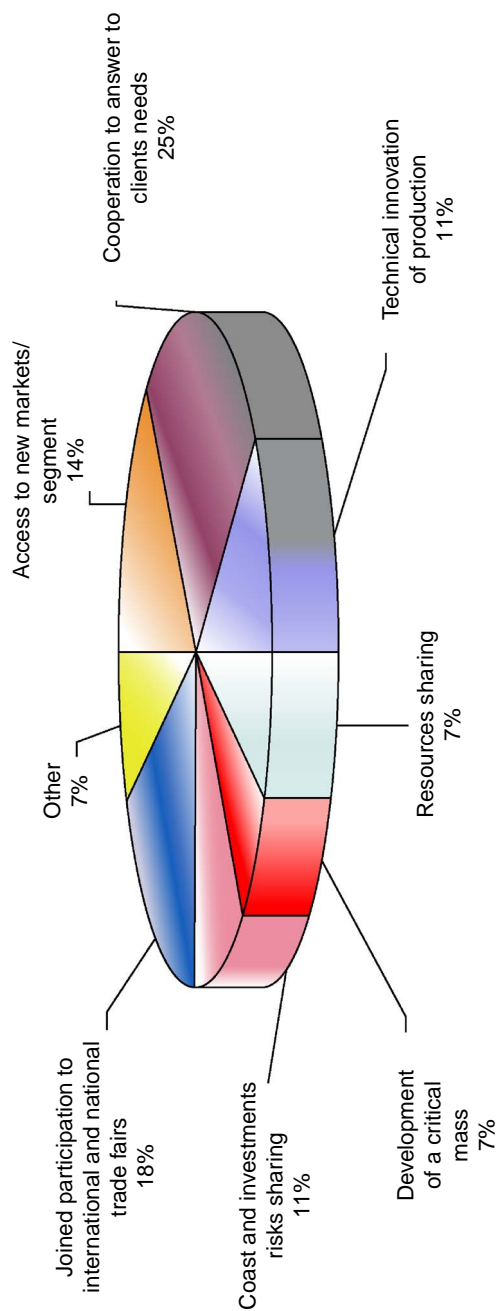


Figure 7.
Motivations of inter-firms
cooperation

Dynamic knowledge for international competition of SMEs. Final discussions

Tradition-based “Made in Italy” SMEs, as depicted in the empirical analysis, are characterized by limited size and scarce financial resources (Friedman and Friedman, 1994; James, 1999). This situation determines a difficult access to innovation in order to compete in global market. Thus, our research has highlighted that the only internationalization path, useful for this kind of firms, is cooperation, in a networking perspective. The main motivations behind internationalization processes carried out by firms belonging to networks are to be found in the need of dynamic capabilities and knowledge in order to make changes suitable for new markets. In fact, taking part to a network develops specific capabilities to exploit market positions acquired from the network. In the tradition-based sector, this issue is extremely delicate because the activity is unique, deriving from the local history and the personal expertise, with a strong artistic and manual production process. As defined by the empirical research, one of the strongest weaknesses of the single unit firm, as in the case artistic craft, is promotion. In this direction, the promotion and networking marketing initiatives must find a common matrix of content, enhancing individual-specific competences, activities and productions, which are different from one to another. On one hand, networking does not have to lead to generic images and reputation, in order not to lose the value of uniqueness that characterizes most of these productions. On the other hand, cooperation is often the only driving force for strategic growth of these companies that otherwise would never be able to internationalize.

In this process, the most important aspect is that of international relations between the network and its external actors, among partners and between each of them within the network. These reports involve a number of factors such as the degree of mutual trust (Gambetta, 1984; Della Corte, 2000; Della Corte and Sciarelli, 2006; Sciarelli, 2007; Della Corte, 2009), of interdependence and control, the system’s resources and skills (Blankenburg and Blankenburg, 1996). Since specific knowledge and entrepreneurial skills are mostly owned and controlled by the entrepreneurs themselves, social networks are a precious tool to favor knowledge transfer, common languages and synergies’ creation (Davidsson and Honig, 2003). Thus, the combination of RBT and network theory in knowledge management perspective helps identifying and analyzing the resources that are critical to the success of the internationalization process, interrelated activities and actors (Håkansson and Snehota, 1995), belonging to the same network. This depends on the extension and coverage, in terms of activities and sectors involved in the network.

Development capacity, which is valid also with reference to the internationalization process of SMEs, depends on the valorization of internal and external resources at both single firms and network levels and their overlapping processes. Ruzzier *et al.* (2006)

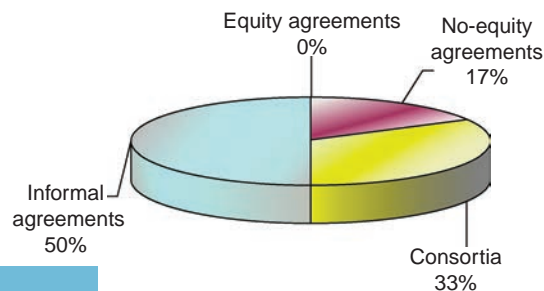


Figure 8.
Forms of inter-firms
cooperation

suggest an analysis model that considers the origin of the resources (internal or external to firms) and the direction in which they are valued and developed (firm oriented or network oriented).

Starting from these assumptions, the present research proposes a matrix through which it is possible to analyze the source of firm's resources and their relative development path, if properly used and implemented in terms of organization. Therefore, considering artistic craft sector, we make a distinction between internal and external resources. The first are developed mainly by the entrepreneur and by firms' won resources (id the family itself). The second can be caught from the external context and the actors with whom the company interfaces and from which it can draw advantageous situations. Moreover, if these shareable resources are so structured to be considered networks/complex systems so to strengthen the overall position of the complex entities, these resources will be more specifically defined as network resources. Even the direction of development may be more self-referential or more outward projected and, in cases of real international business collaborations, may be oriented toward a real networking logic.

The empirical analysis of case studies, in the perspective of RBT approach, dynamic capabilities and knowledge management view, has determined the present theoretical framework, as depicted in the figure (Figure 9).

In the case of examined enterprises, such as the tradition-based ones, most of valuable and rare resources and capabilities lie within the firm. This is related to the above-mentioned aspect of the central role of the entrepreneur-artist, whose artistic vein often overcomes his managerial skills, especially with reference to about technical and manual aspects, required by the artistry itself. However, the history of the company strengthens skills and expertise, representing the basis for further development of entrepreneurial capabilities, able to propose tradition in an innovative way. This factor is also found in several generational turnovers experienced by most of

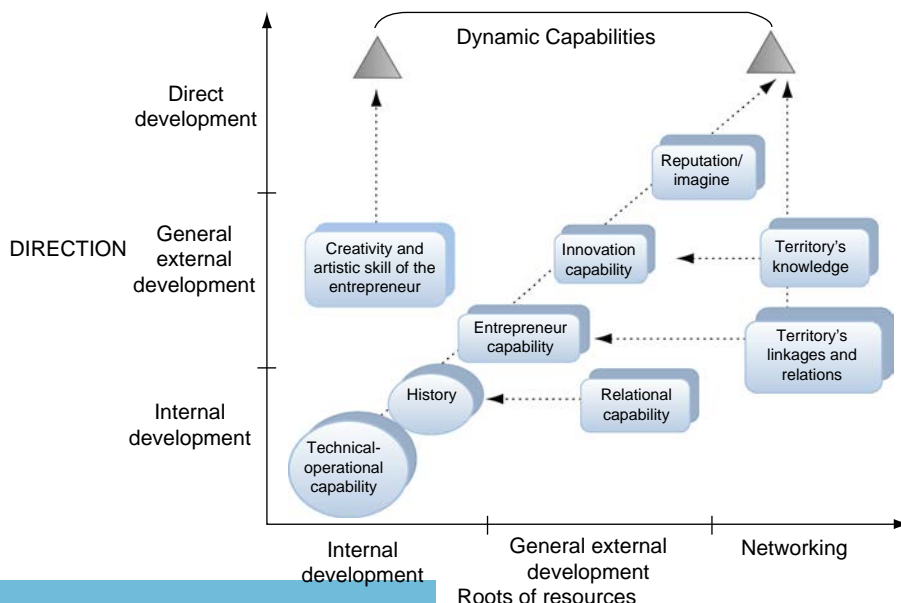


Figure 9.
Roots and direction of
networks' resources in
SMEs' internationalization

these companies. In this direction, creativity is often accompanied by innovation capability, defined as “the capability to interpret the tradition in a modern and innovative perspective.” Another aspect is about reputation; in fact, companies that are well positioned both on domestic and international markets, benefit of a positive image and reputation. These latter can create new opportunities and developments in demand. Capabilities of relations with others in the supply chain or in other business sectors, as well as with the institutions, are also potential sources of advantage. These represent one of the weakest capabilities for tradition-based firms, as demonstrated by the research’s empirical analysis. Particularly, a stimulus for cooperation can be represented by the creation of a pivotal public-private subject, consisting of acknowledged representatives. Moreover, companies that show a strong link with the territory are able to weave collaborative relationships at multiple levels, have a more marked approach toward inter-enterprise collaboration.

What are the trajectories of development to bet on most?

Self-attitudes are not desirable. This happens because a firm, though with strategic resources, that remains close in its intrinsic individualism, will find it difficult to adopt a successful approach.

The positive attitude toward external environment, also in terms of collaboration with cultural institutions, universities and local research units, is an important step in the process of opening to the outside, on which the start up process of internationalization depends. In such situations, external resources are addressed according to the firm-oriented logic: firms, while remaining in their individuality, have contacts with institutions, research centers, universities, from which they can draw resources and expertise. This aspect is a first step toward the outside and usually this approach is typical of business organizations characterized by a greater propensity to networking, in terms of research and development in technology and marketing.

Finally, the last case relates to situations where the logics of knowledge sharing, of developing networking skills tend to create interdependence among partners, even through joint investments and/or mergers. Therefore, it’s important to address the major strategic resources according to the networking logic in order to generate a real network able to generate benefits for firms that belong to it. Thus, “Made in Italy” tradition-based sector is an interesting bridge between the intrinsic artistic capabilities and the extrinsic networks’ competences. This relation can facilitate the development of paths of internationalization. In this direction, the concept of ownership of resources and expertise should be interpreted broadly, since there is a growing possibility of generating, using and sharing common assets (Lavie, 2006). From this bridge it is possible to create forms of business-as artists like “Lello Esposito,” able to export the Neapolitan soul of the symbols and traditions in an innovative, modern and forward-looking perspective, with risk propensity, especially at an international level.

A successful development in this direction cannot ignore, however, some difficulties that hinder the above analyzed successful trajectories.

New generations are more sceptical on the prospects of the sector and rather discouraged about prosecuting their families’ activities.

Artistic capabilities, even if they characterize productions’ exclusivity and uniqueness, often prevail over entrepreneurial skills and, more importantly, over managerial ones. The entrepreneur-artist often cannot easily play the dual role of artist and of capital investor that bears the business risk. This process is further hampered by limited financial resources (as seen in most business cases, tradition-based

companies mainly self-finance. If this can be a positive factor, on the one hand, it is a limit to growth on the other). In addition, tradition-based sectors, especially craft, are characterized by a shortage of skilled labor, linkable to the general lack of confidence of youngest generations, given by the difficult prospects for the sector and by the lack of synergies between companies and institutions, especially in terms of specific interventions and actions.

Considering all these factors, there is a strong need for a pivotal actor that can develop a strategy for the sector and boost network logic. This actor should be a possible pivotal organization with a public-private configuration, made of associations, chambers of commerce, banks and institutional investors, as well as possible public organizations, to lead a wide development and internationally according to a real process of sector development, which should safeguard and promote “made in Italy” production of genuine quality in front of disqualifying and unacceptable forms of international competition.

Conclusions and hints for further research

In conclusion, this paper tries to answer a very important dilemma for tradition-based firms: is there a competitive future and on what it should be based?

From this point of view, it provides both a theoretical and an empirical answer.

As concerns theory, an ad hoc approach is proposed, both in strategic and organizational terms, useful to point out the main issues for these firms’ development: innovation in respect of tradition and internationalization. The main commitment has been therefore that of combining different theoretical approaches. We in fact got to a combination of RBT and network theory in knowledge management perspective, in order to identify and analyze the resources that are critical to the success of the internationalization process of these firms, interrelated activities and actors.

The empirical analysis gives important hints both for practice and for theory. The fact that firms of different sectors have been considered is due to the idea that multi-sector approach can reinforce the local system and its complementarities, thus facilitating collaboration. In tradition-based industries, mainly composed of SMEs, in fact, it is easier to start fostering collaboration among firms that are not direct competitors, enhancing co-marketing activities. This approach also gives the advantage of a stronger and more decisive effort to express, through these productions, the territory’s identity in a more representative way. These firms can in fact even become relevant attractive factors, with interesting connections even with other industries, such as tourist sector, in which the demand, in the internet era, does look for experiences, for contacts with local culture in the visited destination. The point is, however, that the very small size of these firms and the rather non-managerial configuration of these organizations can represent a serious obstacle to networking innovation. This is the reason why the pivotal actor is necessary. In the area we examined, this is a proposal that, in order to become real, needs to be shared and considered as expression of the whole local system. There is a hard work at the moment, with a key role exerted by the Chamber of Commerce, that is progressively gaining ground but has still a quite long path to follow in order to be pointed as the core actor of the eventual pivotal organization. In addition, as regards the tools for interaction in an innovative way, ICT and open innovation can be attractive languages for new generations but not so easy to apply in practice. Many of these firms are still run by the old generation, that is rather reluctant toward new forms of languages and reprocessing. This, however, does not mean such tools will never be adopted but, as for organizational innovation, they have to be spread

and shared through a mutual and not too quick learning process, parallel to generational changes in managing these firms.

Finally, the paper has several limitations, that however represent hints for further research. First of all, we provided the general scheme of analysis for the development of tradition-based firms, without being too specific on the following issues: required level of cooperation, key tools to foster cooperation, innovative activities to point on. Since this is a research paper, however, we first had to verify how to apply to this specific organizations theoretical approaches generally studied with regard to bigger and often non-traditional firms (Powell, 1998). Then we also tried to find a possible path of development for these firms, taking into account the main obstacles to a modern knowledge sharing and promoting. This also implied a severe selection of the firms to include in the empirical part, in order to single out the most relevant and dynamic actors that can more easily sustain the innovation and internationalization development. It is our challenge, however, to go through a second phase of our research, in which to grasp into collaboration mechanisms and processes and to better specify levels, key tools and most innovative activities (Ahuja, 2000b; De Michelis, 2001). On this regard, we are extremely grateful to our reviewers for giving us precious hints for further research.

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