INTERNATIONAL COLLABORATIONS AND OPEN INNOVATION CAPABILITIES OF SMES: THE EFFECT OF INSTITUTIONAL FACTORS (INTERACTIVE PAPER)

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INTERNATIONAL COLLABORATIONS AND OPEN INNOVATION CAPABILITIES OF SMES: THE EFFECT OF INSTITUTIONAL FACTORS

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Principal Topic

A wide literature in entrepreneurship and small business has pointed out the role of collaborations for SMEs to access new ideas and business opportunities and benefit from leverage effects through integration in value chain. Extending collaboration to the international arena strengthens the opportunities for SMEs. Even if most scholars agree that collaborations could be beneficial for SMEs, we need to better understand how SMEs are capable to develop international collaborations. International Entrepreneurship activities, even for innovative SMEs, are more the exception than the rule and we need to highlight the underlying driving factors.

Our study contributes to the literature in International Entrepreneurship by advancing our knowledge regarding effects of open innovation capabilities and institutional dynamic on the propensity to collaborate with international partners in the context of SMEs. Examples of open innovation capabilities in our empirical setting include local networking activities, R&D sourcing and institutional partnerships. We argue that these capabilities are important in order to reach specific skills that the SME need to develop before entering international collaborations. According to the institutional dynamic, we argue that differences across countries should be examined in order to understand the SMEs cooperation behavior. Consistent with prior statements, international collaborative behaviors for innovation are affected by property rights protection, regulation quality and cultural values.

Method and Results

The empirical setting of this paper comes from the fourth Community Innovation Survey. This survey has been conducted in European countries by Eurostat. The matching of our model was possible for 15 different countries and in the case of 82,427 SMEs. As expected, open innovation capabilities and institutional dynamic affect the likelihood of international collaborations. The information intermediation function performed by the local network of business contacts reduces search costs to find reliable international partners. The certification effect of endorsement by the institutional collaborations and by the acquisition of patents signals to uninformed external parties the good quality of the selected SME and enhance legitimacy. Finally, the institutional dynamic mitigates the risk of opportunistic behavior as it makes cooperation defection more expensive for alliance partners. High formal rules, regulations and clear structures would tend to prioritize international collaborations.

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