



KNOWLEDGE MODEL FOR INTERNATIONALIZATION OF CREATIVE INDUSTRY

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Abstract

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 concept in new economic that is supported by information and creativity where the idea and stock of knowledge of human resources become the main factor in economic activity. The industries have been exporting their products but there are very few empirical studies regarding the internationalization process of creative industries. In fact, creative industries contribute markedly to global economics, and most studies in the creative industries merely have only discussed their profiles (Fillis, 2004), external factors (He, 2011), policy (Foord, 2008, Kim & Kim, 2014) and culture (O'Coonor, 2006; Hui, 2006). Then, SME's must rely on their knowledge resources more heavily.

This phenomenon is typical in creative industry. Thus, creative SMEs should understand which types of knowledge are helpful in their internationalization and how the knowledge af-

fects their internalization performance, which were never studied before.

Wresti (2015) charted several obstacles in the development of creative industries, among others, human resources skilled and knowledgeable, infrastructure and access to technology, access to financing, as well as access to markets and the global network of creative people. Experiential knowledge (EK) is a well-documented construct in the internationalization literature, research on the multidimensionality of the construct remains limited.

Relatively little research has been conducted on how experiences discriminate into different types of EK, and how different knowledge combinations among internationalizing firms are composed. The important exception for the former gap was provided by Eriksson et.al (1997), who introduced three types of EK in the internationalization process.

Eriksson et al (1997, 2000)

proposed a knowledge model in internationalization process of SME in the form of EK, comprising Internationalization Knowledge (IK), Institutional knowledge (ITK) and business knowledge (BK) those then became a referral by the other researchers such as Autio et al., (2000), Hadley & Wilson, (2003), Zhou (2007), and Hilmer-sson (2014). Yet, Hilmersson (2014), in his research, used 3 variables of EK and added another variable those was social network. Nordman and Melen (2008), Han and Afolabi (2014) Fletcher, M. and Harris, S. (2011) used technological knowledge (TK) in his work.

Subsequently, scholars also stress the impact of EK in internalization and explore their importance in different stages of Hadley & Wilson, (2003) and its dimensions of Hilmersson (2014). The different variables used by the previous researchers motivate the researcher to test the variables in this study. Due to the above research gaps, this study aims to confirm the dimension of EK which proper for creative industry.

Experiential Knowledge

EK plays an important role in firms' internationalization. Experienced-based knowledge has proposed to be positively linked to a firm's competencies to recognize opportunities for international expansion (Hohenthal et al., 2003). In the market entry process, EK has been invented to an uncertainty-reducing effect to engagement to international operations (Johanson and Vahlne, 1977, 2009). Furthermore, export experiences have a cost-reducing effect when firms undertake additional international activity (Dikova and Witteloostuijn, 2007; Eriksson et al., 1997)

Akerman (2015) cited that EK is as the result of consistent repetitive actions (Eriksson et al., 1997), which is cumulative and path dependent (Autio et al., 2000), and it is very closely linked to the persons and organizations performing these actions. EK helps reduce the limitation of the manager's intellectual capacity that managers may become encounter in the internationalization process (Schweizer, 2012). Eriksson (1997) also stated that

EK not only yields a reduction of the risks involved in going abroad, but also provides a vehicle for acquiring knowledge of internal and external resources and of opportunities for combining them. EK is knowledge about internal and external resources those appear by repeated activity and is needed for raising firm performance. The knowledge is about the firm, competitors, customers, institutions, government, and markets.

In internationalization action, previous research explained EK in the main dimension. Nordman and Melen (2008) regard the international knowledge as knowledge about managing relationships with foreign counterparts and define this knowledge as EK about conducting business in international setting. Eriksson, Johanson et al (1997) define EK as the integration of BK (cooperative agreements with foreign firms, subsidiaries), ITK (foreign laws, norms, standards, and foreign languages), and IK (foreign experience, unique knowledge/ competence). According to Eriksson et al. (2000), lack of EK means increasing the exporting costs of a company.

Method

The objective of this systematic review in this study is twofold: Firstly, it provides a thorough and detailed information about EK research topic based on the variable gap for over 10 years of research and proposes key areas that needs to be explored in the further research. In This step is conducted on five dominant academic databases including ISI Web of Science, Scopus, Emerald, EBSCOS, and Science Direct with time range from 1995 to 2017.

Several articles were identified regarding with the title, abstract, keywords which used some keywords like EK, IK, BK, ITK and TK and those keywords were used with the subject limits to “internationalization, international performance, Business and Management. There are one hundred and eighteen articles found and sorted through in order to identify those that meet the inclusion criteria (and need to be examined further) and those that do not which then should be excluded.

This study records and review the whole research that address the EK in the context of internationalization

since 1995 until 2017 from all journal database. From a number of 89 articles, a detailed assessment was performed and resulted in 10 articles that were proper with the object.

Result

Some scholar provided the term of EK and exploit them in measuring the internationalization process. In this section, we will resume all of the significant research paper which develop the term of EK in internationalization performance approach (see Table 1).

Eriksson (1997) results confirm that there is a cost associated with EK in the internationalization of a firm. The analysis shows that in the process of internationalizing firms have to seek EK on individual clients and markets, as well as on institutional factors such as local laws, local governments and local cultures. Activities and presence abroad entail costs. These costs are related to collecting, encoding, transferring and decoding knowledge, as well as changing the resource structures process and routines in the organization. The analysis also shows that a firm's experience of the interna-

tionalization process influences the perceived cost in this process. They utilized international knowledge, BK and ITK as the construct.

Hardley and Wilson (2003) operated the link among IK, ITK, BK level of firm internationalization and the level of network internationalization. IK is related to the firm's requirement for the EK that will facilitate its international process, for example, adapting resources and capabilities to the international environment.

Previous studies have thus shown that different kinds of knowledge influence the internationalization process of international firm (Nordman and Melen, 2008). In their study contribute to knowledge-based internationalization literature by studying in depth the impact of two specific kinds of knowledge, namely international knowledge and TK. They argue that these kinds of knowledge influence the ability of firms to discover and exploit new opportunities. International knowledge is a broad concept, encompassing specific international industry and marketing experience. Nordman and Melen (2008) regard international

knowledge as knowledge about managing relationships with foreign counterparts and define this knowledge as EK about conducting business within an international setting.

Jani (2011) use Three types of EK were extracted in response to the first research question: TK, BK, and Market-specific Knowledge. The definition of each types of knowledge is as followed: TK or knowledge of operation is defined as the EK that every firm produces its products by without the inclusion of any business factor. BK is defined as combination of knowledge concerns marketing methods and common characteristics among customers, irrespective to their geographical location, and EK₁ about how to interact with partners and other business actors in a successful manner both in international and domestic scale. Market-specific Knowledge is defined as EK concerns customers, and competitive situation in specific foreign market, as well as knowing about governance structures.

Hilmersson (2012) has underlined that in the internationalization process, firms generate different types

of experiences that are transformed into knowledge of different degrees of specificity. The factor analysis discriminated between four types of knowledge ranging from low to high degrees of specificity: IK, ITK, business network knowledge and social network knowledge. Whereas these three types of EK verify findings from previous research in internationalization theory, a central contribution of this study is the introduction of a new type of EK in internationalization research: the concept of social network knowledge. This type of knowledge concerns the social network in the host country in contrast with the business network. This is a central contribution to internationalization research, where recent findings have shown the importance of social relationships and networks in explaining international behavior and success among SMEs (Björkman and Kock, 1995; Coviello, 2006; Evers and O’Gorman, 2011; Oviatt and McDougal, 1994). So, for SMEs, apart from knowledge about business networks, we can expect it to be of great importance to develop our knowledge of social networks in the host country too.

Table 1. Literature Summary

No	Author	Year	Journal	Variable	Method	Research Objection
1	Eriksson et al	1997	Journal of International Business Studies	IK, Int K, BK	Quantitative	Sweden
2	Hadley and Wilson	2003	International Business Review	IK, Int K, BK	Quantitative	Australia-New Zealand
3	Lianzi Zhou	2007	Journal of World Business	IK, Int K,BK	Quantitative	China
4	Nordman and Melen	2008	Journal of World Business	IK, TK	Qualitative-case study	Sweden
5	Jani	2011	Thesis	TK, BK, MK,	Qualitative-multiple case study	Sweden
6	Hilmersson	2012	International Small Business Journal	BK, Int K, IK, SNK	Quantitative	Sweden
7	Fletcher and Harris	2012	International Business Review	TK, MK, IK	Qualitative-case study	-
8	Han and Afolabi	2014	Technology Information Management Review	TK, Int K, BK, EP/IK	Conceptual Paper	-
9	Zapletalova and Bencsik	2015	Science Journal of Business and Management Issue	TK, MK, IK	Quantitative	Czech Republic
10	Bhatti et al	2015	Journal of Business Review	MK, TK	Conceptual Paper	-

Note: IK (IK), Int K (ITK), BK (BK), TK (TK), MK (Market Knowledge), EK (EK), SNK (Social Network Knowledge)

TK is EK about the technology upon which the firm's products are built. It can also be referred as knowledge of operation; this knowledge to be purely technological and devoid of any business element. International knowledge is EK about conducting business within an international setting. The results of these studies showed that TK is positively related to both international growth (Yli-Renko et al., 2002) and a higher level of financial performance (Zahra et al., 2000). Previous studies have thus shown that different kinds of knowledge influence the internationalization process of SME's.

Other previous international researches had identified three types of knowledge to be most relevant for the internationalization of companies: TK, market knowledge and internationalization (general) knowledge (Fletcher and Harris, 2012). TK uses companies to develop and adapt products for new markets and to avoid stagnation in existing markets. TK is specific to each company, but it is not country-specific. The importance of a company's TK in providing the company-specific advantage which was transferable across

borders. They found that managers proactively acquired experiential and objective knowledge about technologies, and this played an important part in their internationalization. Having direct experience did not make the search for more knowledge unnecessary; the firms integrated their direct experience with EK learned from diverse domestic and foreign sources. Firms sourced knowledge widely and using one source did not limit the use of another. These sources included industry partners, customers, suppliers, government sources, consultants, and contacts. The firms also recruited individuals with EK and searched for objective knowledge. It was common for direct experience to be augmented by grafting through recruitment of staff at the employee, manager, senior director, and chairman levels.

Han and Afolabi (2014) said that the most resourceful way of extracting this kind of knowledge is through the combination of an international and domestic network because knowledge in relation to human resources can best be obtained internationally through sharing information with other business people, whereas

that which is developed in R&D facilities is much easier to obtain locally.

They exploit EK/IK, BK, ITK and TK. EK consists of knowledge about venturing, network experience, and internationalization, which is essential because firms tend to trust past knowledge accumulated from experience more than new information during an expansion process (Englis et al., 2007). Another knowledge is ITK focuses on the knowledge about government, institutional frameworks, rules, norms, and cognitive-cultural beliefs (Eriksson et al., 1997). Javernick and Levitt (2009) suggest that international projects require managers to work with diverse participants in various countries and are thereby faced with many challenges that arise from cross-national differences. Foreign BK includes knowledge on customers, suppliers, and competitors, which gives startups an advantage. This advantage comes because BK remains conducive to helping firms promote customers relationship, predict competitor behavior, and react to market demands. Having knowledge about customers' willingness and ability to cooperate appears to be a foundation upon which a small or medium-sized business can

expect its future business to develop.

Zhou (2007) measure international performance of 500 chinese companies by relating entrepreneurial proclivity and EK which utilize ITK, IK and BK. Bhatti et al (2015) provided a model of experiential learning combining two big concept which are the resource-based view and internationalization theory. Technological and market knowledge learning from host country networks was the study concerned. They stated that managers' experiential learning in host country networks, and that experiential learning's influence on subsidiary knowledge and subsidiary's performance. The manager's experiential learning adds to the subsidiary's knowledge, helping improve trust in network relationships and leading to identification of opportunities. The subsidiary, through experiential learning flow, internalizes the knowledge that helps fill the subsidiary's knowledge gap and influences that subsidiary's performance.

Zapletalova and Bencsik (2015) researched the international performance of Czech respondent using TK, Market Knowledge and Inter-

national knowledge. The market knowledge is knowledge about characteristics of the specific national market its business climate, cultural patterns, structure of the market system, and most importantly, characteristics of the individual customer companies and their personnel. A lack of market knowledge results in uncertainty and risks in internationalization. Market-specific knowledge can be gained mainly through experience in the market, whereas knowledge of the operation can often be transferred from one country to another country. Market knowledge accumulates with increased commitment in specific markets. It concerns ITK (knowledge of government, institutional frameworks, rules and norms, knowledge of local conditions and opportunities) and BK (knowledge of resources, capabilities and market behavior of suppliers, competitors and local clients and their customers).

Internationalization (general) knowledge concerns marketing methods and common characteristics of certain types of customers, irrespective of their geographical location. IK is not country specific, because it is con-

cerned with principles for operating in international markets in general. It is company specific knowledge that has to be integrated internally and coordinated with the company's other resources to be useful. IK helps lateral internationalization into new geographic markets by adding their strategic market entry decisions. In the context of an international project, market-specific EK containing domain-relevant skills is expected to generate creative behavior and outcomes (Suh et al.2009)

Conclusion

Based on the literatures, this study concluded a new combination of EK dimension that is required in international creative industry. First, international knowledge (IK) is a broad concept, encompassing specific international industry and marketing experience (Blomstermo et al., 2004; Eriksson et al., 1997; Petersen et al., 2008), and EK about conducting business within an international setting (Nordman and Melen, 2008). Internationalization (general) knowledge concerns marketing methods and common characteristics of certain types of cus-

tomers, which are irrespective of their geographical location. IK is not country-specific issue as it is concerned with principles for operating in international markets in general (Han & Afolabi, 2014).

Second construct is the ITK that focuses on the knowledge about government, institutional frameworks, rules, norms, and cognitive-cultural beliefs (Han & Afolabi, 2014; Zhou, 2010; Eriksson et al., 1997). Foreign ITK, or governmental knowledge, institutional frameworks, norms and culture are significantly related to the degree to which firms have invested in foreign assets and, marginally, to the foreign earnings achieved (Blomstermo et al., 2004; Eriksson et al., 1997; Petersen et al., 2008). The greater the ITK possessed by the company, the lower the liability of being a foreign firm in the host country (Hilmersson, 2014).

Third construct is BK including knowledge on customers, suppliers, and competitors, which gives startups an advantage (Blomstermo et al., 2004; Eriksson et al., 1997; Petersen et al., 2008). This advantage comes because

BK remains conducive to helping the companies promoting customers relationship, predicting competitor's behavior, and reacting to market demands. Having knowledge about customers' willingness and ability to cooperate appears to be a foundation upon which small or medium-sized businesses can expect their future business to develop. Those three variables are knowledge of external resource, so this study desires to complete with knowledge that focus on internal resources, which is TK.

The fourth construct is TK. In the study, the researcher considers the role of TK as a construct of EK with a reason because for raising performance, firm should consider about internal resource (Peng et al, 2009).

Meanwhile, technological knowledge shows internal aspects of a firm whether it has a technological skill in providing a global product and may improve a company's ability to innovate by allowing the firm to hire better technologists and accessing skilled technical expertise (Kafouros et al., 2008). By focusing on the new exports and defining them as a new ex-

port products, Cirera et al. (2015) argued that efforts to develop new and unique technological knowledge play an important role in export performance. Creative industry is technology-based businesses such as games, films, design, architecture, advertisement, etc. TK is defined as EK about the technology upon which certain products of the company are built. Norman and Melen (2008) stated this knowledge should be purely technological and, thus, devoid of any business element. Therefore, they use TK

to capture the EK about technological issues connected to the founders and managers of the INV's firms under investigation.

Future research could tackle to test the impact of the variables in the model by conducting an empirical study. A case study strategy would be more suitable since it allows a deep understanding of the factors that explain internationalization and therefore test the model proposed.

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