



# Do strategic marketing and social capital really matter in regional clusters? Lessons from an emerging economy of Latin America<sup>☆</sup>



Christian Felzensztein<sup>a,\*</sup>, Susan E. Brodt<sup>b</sup>, Eli Gimmon<sup>c</sup>

<sup>a</sup> Universidad Adolfo Ibáñez, Chile

<sup>b</sup> Queen's University, Canada

<sup>c</sup> Tel-Hai College, Israel

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## ABSTRACT

This research explores the relationship between geographic proximity and the building of social capital and inter-firm cooperation in strategic marketing. By emphasizing social interactions and the building of social capital, we extend the research on industry clusters beyond traditional economic perspectives and factors motivating cooperation between firms. The empirical study is based on a survey of 90 senior managers from three natural resources-based industries (two non-clustered and one clustered) in Chile. The results show that managers in clustered versus non-clustered industries differ in terms of the perceived value of location, the perceived value of building social capital, their involvement in activities that build social capital, their attitudes toward cooperative marketing, their history of involvement in cooperative marketing activities, and their intentions for engaging in cooperative marketing activities in the future. Trade associations in clustered versus non-clustered industries play different roles in regard to creating social capital. The article concludes by discussing the implications of these findings for researchers, managers and policy makers.

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## 1. Introduction

The research on industry clusters tends to focus on innovation and R&D as driving forces for collaboration among firms and universities, and on firms located in the United States and Europe (Berggreen & Lindholm, 2009; Delgado, Porter, & Stern, 2010). As a result, existing knowledge comes from a relatively narrow set of factors, industries and geographic regions. For reasons of scholarship as well as business practice, broader investigations are needed. One area to broaden is in the diversity of factors proposed to motivate collaboration. To generate competitiveness and economic growth, studies need to examine not just the economics of collaboration but the “processes of creating, combining, circulating, and sharing existing and new knowledge” (Bathelt, 2005, p. 106). Thus, more needs to be known about the role of other factors, such as strategic marketing and the building of social capital, in motivating collaboration among firms in regional clusters.

The diversity of industries needs broadening. Studies need to extend beyond the traditional research setting of high tech or biotechnology industries (e.g., Berggreen & Lindholm, 2009; Delgado et al., 2010). The benefits of clustering, first described by Marshall (1920), emphasized the presence of skilled workers, specialized inputs and technological spillovers. Not surprisingly, technology-centered industries attracted much research interest. However, the relationship between clusters and firm performance remains elusive (Li, 2004; Shaver & Flyer, 2000). Perhaps studying clusters in a broader set of industries, such as natural resource-based industries, might provide answers.

Finally, research on clusters investigates firms in the United States and Europe (Berggreen & Lindholm, 2009; Delgado et al., 2010). This tendency highlights the need to broaden the geographic landscape of cluster research to other parts of the world, such as to countries of Latin America. Although business research on Latin America is growing, the research tends to emphasize general management issues; as well, when studying clusters, a pure economics and productivity focus is necessary (e.g., see Ferraro, 2010). For example, conferences organized by the Strategic Management in Latin America (SMLA), and the special issues deriving from them in the Journal of Business Research (e.g., volume 61, number 6; volume 62, number 9; volume 63, number 7) significantly advance management research in the region; however, they sometimes neglect certain areas of research, such as strategic marketing (Mesquita & Lazzarini, 2008). As well, although marketing research on emerging markets is growing, attention to the Latin American context lags behind that of other emerging markets (Fastoso & Whitelock, 2007, 2010; Birnik and Bowman, 2007; Okazaki & Mueller, 2007; Samiee &

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\* Corresponding author.

E-mail addresses: c.felzensztein@uai.cl (C. Felzensztein), sbrodt@business.queensu.ca (S.E. Brodt), eligim@telhai.ac.il (E. Gimmon).

Athanassiou, 1998). Taken together, research on clusters as well as strategic marketing in Latin America are needed, especially given the substantive economic importance of a region with a population of over 550 million and a GDP of approximately US\$4 trillion.

## 2. Research overview

The research presented in this article broadens the study of clusters in each of these ways. The research extends traditional economic perspectives and underlying motivations and examines various ways of building social capital as new predictors of collaboration in strategic marketing activities. The focus on natural resources-based industries located in Chile, an emerging economy in Latin America, extends research beyond traditional industries (e.g., technology) and geographic locales (e.g., Europe, USA). And finally, the comparative study of clustered and non-clustered industries adds precision to scholars' and practitioners' understanding of the distinctive aspects of being in a cluster (or not).

Specifically, this article presents an empirical study comparing clustered and non-clustered natural resources-based industries in Chile, focusing on the building of social capital through cooperative strategic marketing activities. The study looks at the specific social networking elements that help to reinforce these interactions for inter-firm collaborations both directly (firm-to-firm) and indirectly through trade associations. The study also tests four predictions about differences between firms in clustered and non-clustered industries based on a survey of 90 managers. Predictions include differences in managers' participation in activities that generate social capital, their perceptions of the benefits and opportunities of location, their attitudes toward cooperative marketing activities, and their firms' actual inter-firm cooperative marketing behavior as well as future intentions to cooperate.

## 3. Literature review and hypotheses

### 3.1. Regional clusters

The research on economic geography and strategic management does not provide a unique definition for a regional cluster. Porter's (1990) definition of the cluster concept, however, stimulated discussion about regional clusters going beyond traditional explanations of agglomeration in economic geography (Delgado et al., 2010; Gordon & McCann, 2000). Porter (2000, p. 254) defines a cluster as: "a geographically proximate group of inter-connected companies and associated institutions in a particular field, linked by commonalities and complementarities." According to this definition, clusters share a physical geography, although the geographic scope of a cluster can range from a single city or state to a country or even a group of neighboring countries. The definition also introduces the issue of inter-connectedness and the potential for collaboration among firms by virtue of "commonalities and complementarities." Taken together, this definition broadens the traditional view dominated by geography and includes other aspects (e.g., social) of inter-organizational relationships between firms and related institutions. In a similar vein, van Dennerg and colleagues define clusters as "local or regional dimension of networks" (Van Dennerg, Braun, & van Winden, 2001, p. 187), also underscoring the potential social or relational aspects of a regional cluster.

To evaluate these localized networks of economic activity and their ability to become a driving force of a region's development, clusters need to be studied within the process of knowledge creation. Research needs to examine "processes of creating, combining, circulating, and sharing existing and new knowledge" (Bathelt, 2005, p. 106) to generate competitiveness and economic growth. In an industry cluster, knowledge creation and interaction among different actors reinforce the regional set of dynamic inter-relationships among industrial activities that potentially creates benefits from co-location in many ways.

Benefits can also arise through social or collective processes. For example, research on economic sociology and economic geography shows that co-location can provide benefits extending from inter-firm linkages to collective problem solving that help firms develop common understandings of their business activities (Best, 1990; Feldman, 2000; Saxenian, 1994). However, Bathelt (2005) and Delgado et al. (2010) argue that these benefits and this collaborative process do not occur in every agglomeration automatically.

Consistent with the literature on clusters, the research presented in this article defines a regional cluster as: firms related to the same industry that share geographic proximity within an administrative-defined region or province in a country, and share potential commonalities and complementarities. The research also compares clustered and non-clustered industrial groups (those that do not share these characteristics) to examine what is distinctive about the internal dynamics of these different types of firms. Whereas much previous research has examined clusters (Steiner & Ploder, 2008), fewer studies explore direct comparisons between clusters and non-clustered industrial groups. Comparisons help identify unique elements of the intra-cluster dynamic, such as the emphasis in this article on inter-firm collaboration.

Bagchi-Sen (2004), for example, compares collaborators and non-collaborators in the US biotechnology cluster focusing on the relationship among R&D intensity, collaboration, innovation, and location. He finds that firms with higher levels of R&D intensity are more intent on engaging in R&D alliances, especially research collaboration with universities; not surprisingly, in his study more firms co-located in defined clusters of the biotechnology industry engaged in collaborative R&D than did firms located elsewhere. Thus, location continues to be an important factor for start-up companies.

Bagchi-Sen (2004) studied vertical collaborations (R&D collaboration between firms and universities), but some question the generalizability of his findings. According to Sorenson and Audia (2000), clusters entail stronger and unfavorable competition. They suggest that a cluster's advantage (based in geographical concentration) stems from heterogeneity in entrepreneurial opportunities. Competition occurs, they argue, when two parties vie for control of the same set of resources; that is, competition increases as the degree of overlap in resource requirements between organizations increases (McPherson, 1983). Thus, when geography imposes a limitation on desired resources, organizations will compete more intensely with local rivals.

Taking a social network perspective, however, positive outcomes may prevail for clusters. Eisingerich, Bell, and Tracey (2010) social network model of regional cluster performance suggests that high performance among clustered firms is possible and predicated on the strength of ties in the network as well as on the network's openness. Strong relationships (e.g., long-lasting, frequent social contact) and open networks (e.g., diversity of cluster firms, outside-firm connections, accepting of new firms to the cluster) generally enhance cluster performance. In both cases, however, these effects depend on environmental uncertainty. With high uncertainty, the positive effects of openness grow stronger and the benefits of strong ties tend to weaken (Eisingerich et al., 2010).

Because of unresolved questions raised by these studies combined with current interest in the topic of collaboration among business professionals (see "Spotlight on Collaboration," Harvard Business Review, July, 2011), this research examines specific types of collaboration within clusters, such as marketing cooperation. To be successful, this type of cooperation requires not only a proactive attitude from managers (Brown, McNaughton, & Bell, 2010), but also a focus on creating social capital among participants (Gulati, 2007; Gulati, Nohria, & Zaheer, 2000).

### 3.2. Social capital and networks in regional clusters

Organization scholars often distinguish between human capital and social capital. Human capital refers to firm-specific or industry-specific knowledge and skills that employees use to do their jobs (Becker,

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