



Entrepreneurship, Innovation and Business Clusters

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Entrepreneurship, Innovation and Business Clusters

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This new book combines social and economic theories to explain the dynamics of entrepreneurship in today's market place. The two dimensional model of innovation and business clustering created in the text would be particularly useful to anybody involved in business support programmes that require regional impact as part of their outcomes.

I particularly appreciate how the author combines theories related to economic growth, innovation and business clusters. Part one moves from classical economic theory to Schumpeter, introducing the idea of innovation as part of the economic cycle, explaining on the way why there has to be a time limit on the claim of being an entrepreneur. The book rapidly moves on to Weber's development of different social attitudes that support innovative behaviour. The author explores innovation as a specific function of entrepreneurship using the work of Drucker and Porter (I particularly appreciate the quote from Drucker explaining the best award for innovation as *"This is obvious, why haven't I thought of that?"*) and then moves on to explain how organisation culture and climate effect innovation perfectly ending this discussion with reference to Handy.

Part one ends with a debate on systems of innovation, exploring how policy makers can enable innovation. This is achieved by exploring Marx's combination of sociology and economics and how it influences the likes of Lundvall and Nelson and Rosenberg. This part seamlessly works through from how systems (or *'anything that is not chaos'*) encourage innovation to how these systems appear at regional, national or transnational levels. Importantly the author concludes this topic with concepts relating to learning and the transfer of knowledge and information and how the various organisations (such as universities) can influence these processes.

Part two begins with a demonstration of the complexities of defining SMEs and the increasing acknowledgement of their importance to both society and the economy. The author uses Storey's and Greiner's models to demonstrate the changes in SME management styles and shows how these are based on the growth of the firm and the state of the external market place.

This part then goes on to discuss the relationship of entrepreneurialism and SMEs, clearly demonstrating that not all entrepreneurs are SMEs and not all SMEs act as entrepreneurs, referring to the arguments developed in part one. The author considers the link between entrepreneurial flair, business acumen and firm performance and importantly brings in the complexities involved in SME operators who all have to combine personal and business life.

The author then discusses the rise of the ethnic business and can be forgiven for suggesting the rise of ethnic SMEs equals a rise in ethnic entrepreneurship as they had previously referred to one of Schumpeter's definitions of entrepreneurship as opening new market places. The author refers to the push factors of self-employment and how culturally based networks at first help support the move to self-employment and then develop into networks that actually pull next generation ethnic minorities towards self-employment. The question is then raised on whether the same patterns can be found in studies around female entrepreneurship and this book calls for further work to be conducted in this field.

This part then moves on to the growth of the market and supply chain available to the SME using concepts of evolution of competition, globalization and the rise of ICT and the internet. The author considers the growth of inter-firm collaboration through strategic alliances (with examples from large multi nationals) and how this is mirrored in SMEs (with examples from SME family firms creating Small Firm Networks in Northern Italy). The author suggests that the Small Firm Networks and strategic alliances are created because of the reasons developed in Hoffmann and Schlosser's 'Strategic Alliance Theory' and taking this one step further they then explore the concept of the 'open innovation paradigm' and how this is made possible through partnerships, collaboration and alliances.

Referring back to the fundamentals of entrepreneurship and innovation developed by Schumpeter and Drucker, the author argues that innovation is created by managers with emotional intelligence which encourages entrepreneurship within their team and that these firms' performances are positively related to the competencies of their owner operators. In allowing team entrepreneurship the firm in turn creates tacit knowledge that enables further innovation and continuously creates new competitive advantages. This part of the book concludes with a model towards augmenting a SMEs value that identifies key interventions that the author suggests policy makers could make to improve SMEs performance in their regions.

At this point the book explores the relationship between business clusters, SMEs and innovation. It starts by considering clusters from an economic geographers perspective from Marshall's industrial districts; Piore & Sabel's flexible specialisation to Day's work on trust and cooperation that goes on to create tacit and localised knowledge within the cluster. The book considers Porter's work on how knowledge creates competitive advantage through the completion and cooperation of the firms in the cluster. The role of the state in supporting these clusters is then deliberated, specifically on how the state and universities can be intertwined in the development of new clusters.

The author then highlights that like firms, if clusters do not react to the current market place, they will see a decline in their importance and size. They argue that the immediacy of impact of poor business decisions on SMEs makes them an essential driver for successful clusters and then use EU statistics to show how SMEs and MNEs interact to collect global knowledge locally and develop this with the tacit specialist knowledge held locally. This innovative creativity can be enhanced with the correct local state intervention and support from local universities.

Continuing the importance of local assets, the author explores the hidden assets of regions and how they can influence successful collaboration, learning and knowledge transfer between SMEs to produce vibrant innovative clusters referred to as 'learning regions' or in the case of urban centres as 'innovative milieu'. At this point the author then considers clusters that were built around research (such as Silicon Valley) and how these clusters can be imitated but still require the hidden assets required for 'learning regions' to succeed.

The book concludes with a useful two dimensional model of innovation and business clustering, as the author sums up "*Innovation and entrepreneurship are intertwined concepts affecting SMEs competitiveness and business networks appear to be associated with the innovative capabilities of SMEs and their competitiveness*". The author creates two axis: vertical is the SMEs level of innovativeness and horizontal is their focus from internal ('go it alone strategy') to external ('clustering/networks'). this creates four types of SMEs:

Classical Entrepreneur: innovatively focused but avoids networking.

Path Breaker: innovatively focused and engages with the cluster thus becoming the engine house for their business cluster.

Survivor: with low innovation focus and little networking they are either deliberately running their business their own way or stuck in a business model and unable to change. Family business scholars might take exception to the author categorising these as the typical family business.

Collaborator: with low innovation focus and high networking they are key supporters of their cluster but not the drivers.

The final epilogue of the book encourages the support and creation of more 'path breakers', hopefully using the authors model, readers will be able to clearly demonstrate the impact they are having when encouraging the growth of innovation within individual businesses and within business clusters.

NB small typo in the book on p103 (SNF) should be (SFN)