THE ROLE OF KNOWLEDGE TRANSFER FOR REGIONAL DEVELOPMENT

ULOGA TRANSFERA ZNANJA ZA REGIONALNI RAZVOJ

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Abstract: *The regions are increasingly facing competitive environments characterised by accelerated mergers, increased development costs and reduction of products' lifecycle. Technology-based organizations are getting more dependable on transfers of technology, organizational learning, investment in innovations, cooperation with scientific institutions and support of the working environment. Transfer of knowledge is considered as an ideal way of increasing competitiveness, efficiency, flexibility and transparency for the towns and regions in the course of their development.*

Key words: *regional economic development, knowledge transfer, multinational corporations, emerging markets*

Sažetak: *Regije se sve više suočavaju s konkurentnim okruženjem koje karakterizira ubrzana stapanja, povećani trošak razvoja i smanjenje životnog vijeka proizvoda. Poduzeća pokretana tehnologijom sve više ovise o: tehnološkim transferima, organizacijskom učenju, ulaganju u inovativnost, suradnji s znanstvenim institucijama te podršci okruženja u kojem djeluju. Transfer znanja smatra se idealnim načinom za povećanje konkurentnosti, djelotvornosti, učinkovitosti, fleksibilnosti i transparentnosti za gradove i regije koje su na putu gospodarskog razvoja.*

Ključne riječi: *regionalni ekonomski razvoj, transfer znanja, multinacionalne korporacije, rastuća tržišta*

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1. Introduction

Empirical studies during the past years stressed the role of "endogenous growth mechanism" in local development, as well as influences such as local entrepreneurship, social network, synergy elements, dynamic learning process, and so on. A causal connection between individuals, organizations and national systems are explored in those theories with the emphasis on public policy, governance, accountability, environment and social and technological change processes. International role of know-how- and knowledge are fast dispersed between countries and in that way has become extremely important for global competitiveness. It was noticed that in global economy regions have become an important means for both economic growth and development.

Studies suggest that development regions allow companies to reach a higher level of competitiveness and innovativeness and simultaneously of networking of private and public sector interests. In post-transition countries competitiveness growth is a vital prerequisite for a faster competitiveness growth and development as well as for reaching EU standards (Amin and Thrift, 2002). Two decades ago Cashin (1985) explored the nature of 'new regionalism' as an answer to the recognition of "the political futility of seeking consolidated regional government" (p. 2027).

In this paper with 'regionalisation' we are referring to the process of shaping and operating economically driven regions. In order to create jobs and stimulate the economy, modern regions invest in the kinds of opportunities that attract corporate headquarters and MNC investments. At the same time they formulate a regional strategy and set of incentives for this purpose and aggressively promote their assets.

2. Impact of enlargement

The population of the Union grew from 380 to 454 million (EU 25) or 485 million (EU 27). Emerging markets of CEE have become increasingly important to MNC operations (Griffith, et al., 2001). Emerging markets are characterized by highly uncertain and dynamic market conditions. There is little research examining knowledge transfering in different regional settings in emerging markets in CEE (Hood & Peters,1994).

Various authors have queried the tendency to borrow management practices indiscriminately from the West, proposing instead the development of more appropriate approaches (e.g., Blunt and Jones, 1992, 1997). A representative set of issues/questions, which may be raised relative to the knowledge transfer, would be as follows: Which segments of the country's population will be most affected by the new knowledge? How will the transfered knowledge impact the present competitiveness of region?

By focusing on the concept of knowledge we aim to undertake a critique of the on-going debate on this discipline as well as to point to new research directions in the hitherto much neglected Eastern European context. This paper tries to stress the

importance of tacit and explicit knowledge to achieve competence in transfer of knowledge to Croatia. We aim to contribute to a better understanding of the dynamics of international management by examining this terrain through the conceptual lens of knowledge transfer with particular reference to the knowledge that resides in people.

3. Emerging market of Croatia

Since 1989 the former communist economies have opened their markets to providers of foreign goods and services. Thus, in general the last decade has seen a reorientation of trade in all sectors. While Croatia is numbered among the smaller countries it is blessed with wide diversity of regions but at the same time a lot of unfavorable tendency has dramatically amplified in 1990s due to post war transition processes and unfavorable tendencies connected to human resources, such as: decrease in the number of inhabitants, negative natural increase, ageing of inhabitants, i.e. increase in the share of old people in the whole population simultaneously with decrease in the share of the youngest age group of inhabitants. Furthermore, the whole Slavonia and Baranja, were exposed to the direct war activities.

Homeland war (1991-1995) generated a huge direct war damages and even bigger indirect damages and consequences. Development gap between regions increase: average GDP per capita in 2006 in Croatia is 9 661 $ (DSZ; 2008) but in Slavonia is approximately 3 500 USD (DSZ; 2008) so the lack of knowledge and educated labor force merge as a priority problem which has to be solved.

4. Developing a Proactive knowledge transfer imperative

It is necessary to include the theory of competitive advantage (Porter,1990, 1998) and the theory of transaction costs in the analysis of proactive market management of the transformation of an organization and its knowledge resources along with the pre-theory of codification-diffusion (Boisot. 1995). Leonard-Barton (1995) recognize four groups of competences and elements whose interaction determines the level of an organization's success:

1. knowledge and skills- technical know-how and personal "know-how", including linkups to important groups like government legislative bodies or scientific community
2. managerial systems- adequate initiative systems, educational programs within a organization or methodology which makes procedural knowledge substantial
3. physical systems- plants, equipment, tools, engineering systems developed over years, production lines and information systems which form adequate compilations of knowledge (organised as bases or banks of knowledge and wisdom and foundation for expert systems)
4. values- tastes, conduct, norms which dominate a corporation and form part of corporative culture

According the Boisot 1995, the dynamic cycle of S-learners allows knowledge to be diffused, absorbed, scanned and new findings created and this is called the culture space or C-space.

The absorption of codes of explicit knowledge to the portions of tacit uncodified knowledge increases knowledge expertise and know-how realisation which increases applicability of the existing knowledge. In reality, absorption is the process of know-how accumulation. One does not limit the diffusion of past knowledge by absorption but its relative usefulness (Boisot, 1995).

If know-how is not disposed of as knowledge which enables efficient usage of familiar codes, the available yet non-internalized knowledge could not be used for the building one's own competitive advantages, i.e. core competences. The knowledge absorption process alone is much differentiated on various points of diffusion scale. It is noteworthy that emerging new tacit knowledge is compared with the existing tacit knowledge (of individuals and groups) which leads to two possible outcomes:

(1) new and old knowledge are mutually compatible or

(2) there is disharmony between the newly accumulated and old tacit knowledge which makes the scanning condition grow. The integration of codified knowledge with non-codified tacit knowledge is an individualized internalization process which considerably depend on an individual's capacity to perform such synthesis creatively thus establishing a range of gestalts, i.e. thinking and conduct patterns which will mainly improve the communication established by common code (Luo, & Peng, 1999). The economic consequence of such internalization is close to the digression of the learning curve.

With such non-standard creative acts of scanning and re-configuration of available data a new knowledge is created. It is a critical moment in the social learning cycle: transfer (reconfiguration) of data from diffused, still tacit knowledge (the right side of C-space) into tacit, but still undiffused knowledge (left side of the C-space) corresponds with the transfer of knowledge generally accessible into the knowledge which is in exclusive possession of few ingenuous individuals.

5.Conclusion

With more countries emerging as free market economies, there has been a dramatic increase in the rates of technology transfer from developed to the emerging economies. The economic success of the transition in Central and Eastern Europe depends on the continuing transfer of modern technology and apropriate knowledge from developed countries.

Transferring western technology to the emerging markets of CEE is, however, a complex task. In this paper we proposed the concept of knowledge transfer as a tool for companies to adress some parts of competitiveness issues facing them, particulary in knowledge and cultural setting for technology transfer among entreprises.

The actions at local and regional levels refer to: - clusters creation; - creation of informal networks of distributing information (based on trust and proximity); - supporting SMEs to adapt cooperation with MNC to their needs.
Due to the history of inefficiencies in the areas of production, marketing, and finance in many CEE industries/firms, the knowledge transfer cannot compensate for the residual operating inefficiencies of the organization.

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