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Cooperation in Innovation Networks: The Case of Danish and German SMEs**

Information is a critical resource in innovation processes. External information can be helpful in innovation processes to complete them successfully. SMEs in particular are therefore advised to draw on consulting in innovation processes, as they cannot ensure the necessary information flow internally due to the lesser resources they have compared to larger companies. To promote economically relevant information of SMEs, the public sector provides specific advisory services. These services, however, are rarely utilized compared to direct customer and supplier contacts. From strategic management's point of view, the involvement of intermediaries in the innovation process is accompanied by the risk of losing specific knowledge to the business environment. Based on an empirical comparative study of Danish and German SMEs – Danish companies utilize public as well as private consulting services more often – determinants of the usage of business consultancies in innovation processes are elicited.

Key words: **SMEs, innovation, networks, public policy**

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** Article received: August 18, 2009

Revised version accepted after double blind review: May 6, 2010.

1. Introduction

Economic operations and thus innovations are embedded in social relations and structures (Granovetter 1985; Hagedoorn 2006). Therefore, the organizational units that create innovations are not individual businesses, but usually networks. From a resource-oriented point of view, networks hold a variety of advantages for their members, such as access to material and immaterial resources, information and knowledge. Powell et al. (1996), for example, conclude in their study on innovation behavior in pharmaceutical companies that companies that are not able to initiate networks or form a cooperation have strategic disadvantages on the market. In this context, especially small and medium-sized enterprises (SMEs) are considered to be dependent on the social capital of networks, because of the limited resources they have under direct control due to their size (Kaufmann/Tödting 2003).

However, innovation networks are not only relevant for participating SMEs, they also affect the economy in general (Laforet/Tann 2006). On the one hand, SMEs generate a large share of the economic output, as well as a large share of the innovations. On the other hand, globalised SMEs using innovation as competitive strategy ensure that new knowledge spreads and nourishes the innovative capacity of the overall economy. In order to keep up in the competition with well-resourced businesses, SMEs inevitably depend on cooperation. Information even has to be collected beyond the borders of the cooperation network. "... Networks are vital providers of various kinds of knowledge not only from directly related relationships but also from indirect relationships (Tolstoy 2009: 207). At the same time, with the trends towards decentralization and outsourcing in the past two decades, SMEs have significantly gained in importance for innovative strength: as a result of the transformation of the value-added chain, innovations have frequently shifted from large companies to small and medium-sized businesses and thus to networks (Asheim 2004).

These are good reasons for policy makers to support the development and especially innovations of SMEs. For that purpose, business development services provide general information for SMEs. However, they also try to specifically arrange access to material and immaterial resources, to connect with network partners and to directly or indirectly integrate consultancies. Some of these measures might, however, be counterproductive. From a strategic management's point of view – and on this all common approaches agree, from New Institutional Economics with the transaction cost approach through the market-oriented viewpoint of industrial economics to the resource-based view of the firm – it is essential to protect certain information and not feed it into the networks, through which it spreads uncontrollably. All these approaches agree on the fact that knowledge is a scarce resource in the field of innovation and that it has to be protected. They differ merely in how scarcity is defined and measured.

To express it in the terminology of social networks analysis, SMEs need *strong ties* in the process of innovation – i.e. a dense network of trustworthy relations – to keep the innovation process under control. However, strong ties imply the weakness that they are less suitable in opening up novel information (Granovetter 1973). This insight from network-analytical research holds a dilemma for the management of the innova-

tion process: a balance of *strong* and *weak ties* needs to be created in the relation network of SMEs, without jeopardising the exclusiveness of the *strong ties* (Burt 2004; Fliaster/Spiess 2007; Stark/Vedres 2009; Uzzi 1997).

The resulting management problem of balancing different information sources in the innovation process has lately been a frequent object of innovation research from sociological and business economics viewpoints. In the course of both perspectives, individual networks are discussed as well as strategic alliances and regional clusters. In contrast, the role of the public and private consulting system has attracted less attention (Tödtling/Kaufmann 2002; Cornett/Freytag 2006). This role is the focus in our comparative study on the utilization of the consulting system by SMEs in the innovation process. First evaluation studies on innovation policies in the European context suggest that the support provided by public institutions is used to varying degrees. In particular, a low degree of utilizing the public consulting system to promote innovation is reported for Germany, compared to the Scandinavian countries (Cornett 2007; Latniak/Rehfeld 1994; Sounder/Jenssen 1999). In the Danish-German comparison we will address the following question: Which conditions stimulate or impede the utilization of the consulting system from a business point of view? Is there a country effect?

We will develop this business perspective in the next section, referring back to central statements of strategic management, the *resource dependence approach* (Pfeffer/Salancik 1978) and the *relational view of the firm* (Dyer/Singh 1998) in particular. Based on this theoretical frame of reference on the relevance of *strong* and *weak ties* in SME innovation management, hypotheses about the utilization of consulting systems in the innovation process will be derived. We will also explore the commonalities of and differences in Danish and German innovation management, which possibly influence the utilization of the consulting system. The empirical part describes first the underlying survey study on SMEs in western Denmark and northern Germany (Cornett/Sørensen 2005). Multivariate analyses of successful and unsuccessful innovation processes provide information about factors of the utilization of the consulting system in both countries. The article concludes with critical indications regarding the limits of the study and for further research on innovation management.

2. Innovation in SME networks

2.1 Innovation, knowledge and networks

Knowledge is a central variable in the process of *creative destruction* and implementation of *new combinations* of production factors (Schumpeter 2006). Schumpeter's elements in the definition of the innovation process clearly show that knowledge can be perceived in different ways here. Business-related innovation research emphasizes in particular the aspect of creativity that is linked to human capital. Drucker (1999), for example, speaks of the *knowledge worker* in this context. However, when the aspect of *new combinations* is accentuated, the perspective changes and the relational level of the entrepreneur – on the individual or the corporate level of the organization – becomes the centre of attention. In other words, from this point of view it is not only the human capital, but also the social capital of the organization that is of interest (Matiaske 2010).

This shift in problem is, on the one hand, the result of the theoretical and empirical development in sociologically characterized network research. With his prominent study on the relevance of the individual social capital in job search, Granovetter (1973) pointed out that for the job seeker it is not only helpful to fall back on a dense network of relatives and friends for social support, but that it is especially distant acquaintances who give access to new information and job offers. The strength of weak ties in social networks is to grant access to new information pools. This insight can be used strategically. Burt (1992) in particular developed the position of brokers in his theory of *structural holes* in networks. There is an arbitrage opportunity for brokers to bridge several densely closed networks, whereby they create connections between them or communicate information. These developments in sociological network research have not only extended the term of social capital, which has so far been restricted to close and trustful relations (Coleman 1990), but has also created a link to business-related organization, and more specific innovation research (Burt 1999). On the other hand, the trends towards decentralization and outsourcing in the previous decades, which have for example been taken up in organization research under the heading of the hybrid organization or *relational contracting* (Williamson 1985), have contributed to a change in perspective in business research. At first, the network organization as a phenomenologically new type – e.g. as strategic alliance, associations or joint ventures – attracted empirical and theoretical attention (Duschek 2004). Recently, business research has also linked up with the methodology of social network analysis (e.g. Ebers 1997).

As in sociology, the question of knowledge generation in networks is gaining in importance in organization and innovation research (Perry-Smith/Shalley 2003). Unlike in the classical job search example, the reciprocity of information transmission in networks turns out to be problematic in the context of innovation research. While it is usually convenient for the job seeker when the signal of his or her concern starts to spread, this is not the case for innovating businesses. Instead, the chance of gaining new information via network connections creates the risk of losing knowledge (Flister/Spiess 2007: 114f.). This risk exists, for example, for companies working together with partners who are interested in technological novelties. In the case of SMEs, due to their role as suppliers to large companies, there is also an unequal balance of power, which allows the stronger partner to absorb innovations easily (Katila et al. 2008). Another hazardous situation that Katila et al. (2008) point out is the cooperation with consultancies that also work in other companies at the same time.

In the process of innovation, private as well as state-owned consultancies play a vital role. Tödting/Kaufmann (1998: 10) report that private consultancies are, for example, involved as partners in 16 % on the regional level, in 20 % on the national level and in 10 % (of 652 interviewed firms) on the European level. State-driven organizations are also of great importance on the regional and on the national, but not on the European level.

Consultants utilize the barriers between closed dense networks as brokers, the way Burt sees them, and diffuse information from one social circle to another. This might be useful for the macroeconomic development, but is certainly not in the interest of the *exploited* sub-networks or their member companies. In this context, though,

Cohen and Levinthal (1990) point out that innovation knowledge is thus not easily transferable. In order to be able to absorb innovation knowledge, the competitor would first need to have the compatible *absorptive capacities* (Cohen/Levinthal 1990). However, the barrier of a company's different basic knowledge alone does not provide protection from the transfer of strategic know-how by brokers in the medium to long term.

Yet, also an isolation from central network partners, other businesses or organizations in general and from consultancies in particular carries risks (Fliaster/Spiess 2007; Li/Atuahene-Gima 2001; Xu 2008): Innovative solutions are found either too late or not at all and resources might be lacking to establish an innovative solution on the market. In summary, Katila et al. (2008: 322) do not generally consider it appropriate to avoid risky relationships: "By examining multiple types of partners, we find that firms swim with sharks rather than safer partners when they need the unique resources that sharks possess and can protect themselves... Conversely, firms avoid relationships that offer too little resource benefit or entail too much risk".

The following argumentation runs along these lines. Certainly it needs to be considered whether specific combinations of strong and weak ties are appropriate for specific types of innovation processes or phases thereof. With this question we focus on which determinants prompt corporate actors, or SMEs to be precise, to seek or avoid specific partnerships in innovation processes. In the following sections the unit of analysis is not the network, but the decision of the individual company on partners in processes of innovation.

2.2 Strategic partners in the innovation process

Strategic management refers to a number of central theoretical frames of reference. In this study the reference point is the *research dependence approach* (RDA) (Pfeffer/Salancik 1978), which seems to be particularly suitable for a number of reasons. Not only is the RDA considered theoretically well developed and empirically sound (Nienhüser 2008), but it is also specialized in the question of external relations of organizations. Following the criticism of the contingency approach, which has long dominated organizational theory, Pfeffer/Salancik (1978, see also Aldrich/Pfeffer, 1976) fall back on a power-theoretic argument (Emerson 1962) in order to clarify which situational determinants govern the behavior of organizations. With this theoretical foundation they provide a meta-criterion that limits the arbitrariness of situational influencing factors and explains why the environment has an influence: The resource dependency of the organization is the basis of external exertion of influence. As opposed to other resource-oriented approaches, resources are here defined not only as input but also as output factors, i.e. the access to pre-product markets can be considered as a resource, just like the one to the final sales market.

External control can be exercised by those actors that control resources which are significant for the organization's effectiveness. The level of the organization's demand determines how powerful the partner is: the greater the interest of the focal organization in resources that are under the control of an external actor, the greater the power and also the influence of just this external player on the focal organization. This argument entails, furthermore, that the better the external actor manages to monopolize

the interesting resources, the more influence he can exert. Conversely: The more difficult it is for the focal organization to obtain the interesting resources outside the relation to the external actor, the greater his power in the focal organization. It is particularly useful for the influence on the organization if the external player controls resources that are vital for the focal organization. In this case, Pfeffer/Salancik (1978) talk about *critical resources*.

In that situation actors, i.e. organizations, act under uncertainty: the RDA transforms this proposition according to the action-theoretical concept of power with the assumption of an intended rational behavior or *bounded rationality* (Simon 1955). As a rule, the conception of the actor operates with the simplified assumption that the organization behaves like an individual actor.

These assumptions characterize the RDA as a strategic management approach. In practical application, the core idea of the approach is that organizations should avoid uncertainty and power dependencies in order to secure their effectiveness and long-term survival. In developing this argument, the RDA looks at different strategic options, such as avoidance or change of external dependencies through e.g. warehousing or diversification, the co-optation of partners or influencing the environment via marketing measures or lobbying (Gretzinger 2008). Beyond these strategic options for reducing uncertainty and power dependence, the RDA, however, avoids specifying the argumentation, in particular with respect to potentially critical resources. Pfeffer and Salancik (1978) do not want to repeat the mistake of the *old* contingency approach to list random influencing factors, but argue for a specification of the power-theoretic core argument according to the object of investigation or rather of the suspected interests of organizations in specific situations, as resources become critical resources because of the demand from an organization.

A suitable frame of reference for assessing the interests of businesses in an innovation process is in our context the *relational view of the firm* (RV) (Dyer/Singh 1998; Foss 1999). In extension of the better known *resource based view of the firm* (RBV) (Wernerfelt 1984), which focuses on individual businesses and their core competencies, the RV identifies the relevance of networks for the companies' resources and for generating a competitive advantage. Just like the RBV, the RV is so far predominantly phenomenologically or normatively oriented (Duscheck 2004; Freiling 2008). However, the descriptive integration of business networks, competitive markets and core competencies of the individual businesses is here sufficient to derive specific constellations of interests. To explain these we refer back to the power-theoretic argumentation of the RDA.

The argumentation of the RV aims at expanding core competencies in networks which are, analogous to the request of Katila et al. (2008), supplied by complementary material and social resources of network partners. Dyer/Sing (1998) argue that it is the task of the network members, according to their interests and position of power in the innovation network, to negotiate appropriate governance mechanisms that allow a market-oriented cooperation. This means that the internal cooperation of the network partners in the innovation process is directed at gaining competitive advantages externally, i.e. on the market. The ideal structure of an innovation network is, from this perspective inwardly-directed, described as a network of *strong* ties. Agreed and asser-

tive norms, on the one hand, and trust on the other hand provide the innovation network with stability. When directed outwardly, the network correspondingly acts as a cooperation, which controls *weak* ties in view of enforcing innovation on the market (Fliaster/Spiess 2007).

Therefore, the paradox of the social structure is also clearly shown from the RV's point of view. The close and trustful cooperation structure in the network creates advantages which can, to quote Duschek (2004) and Kogut (2000), be called the Coleman rent, as Coleman's conception of social capital focuses on the close relations in networks. Accordingly, the arbitrage from utilizing weak ties to spread innovations is known as Burt rent. Possibly, the structural paradox can be solved by introducing time as additional variable. Dynamic analyses (Ahuja 2000; Stark/Vedres 2009) suggest that weak ties can lead to an expansion of networks: "A firm's linkages therefore provide it with access not just to the knowledge held by its partners but also to the knowledge held by its partners' partners" (Ahuja 2000: 430). The utilization of indirect communication channels results in an intensified relation and weak ties turn into strong trust relations. In view of the comparative statistical analysis, which is our focus in this study, this argumentation cannot be pursued further.

From the RDA's perspective the restriction to strong ties in the innovation process can be explained as a result of the mechanism for avoiding dependence and uncertainty. Strong ties can also be better controlled through formal mechanisms and contracts than informal norms and trust (Matiaske 2010). It should be noted that trust in the understanding of the power-theoretic argumentation is with Coleman (1990) considered a risk assessment of making profits or avoiding losses in a relation. There are good reasons to do without the affective component of trust, which the authors of the RV emphasize. Even if there are no human actors free of affects in business networks, they do act in the role of members of a purposeful organization (Kieser 1997).

Before we link these strategic management thoughts of how to choose partners in the process of innovation through the lens of resource-dependence perspective (Pfeffer/Salancik, 1978) into the framework for this study, we need to have a closer look at the general characteristics of these relations.

2.3 The role of consultancies as intermediaries in the process of innovation

In organization theory it is agreed that consultancies, whether public or private, institutionally take on the role of an intermediary. Consultants communicate information on structure and strategy from one business to the next and thereby ensure the formation of relatively homogeneous organization populations and the alignment of organizations' phenotype, respectively. Hannan/Freeman (1984), the proponents of the population ecology approach, and DiMaggio/Powell (1983), from the perspective of the competing research program of neo-institutionalism, agree on that. Thus DiMaggio/Powell (1983: 151) write about the role of business consultancies: "Models [of organizations, the authors] maybe diffused unintentionally, indirectly through employee transfer or turnover, or explicitly by organizations such as consulting firms or industry trade associations. Even innovation can be accounted for by organizational modeling." With regard to innovation processes Wu et al. (2009) and Wolpert (2002)

work out the dissemination of best practices via consultancies, whose role they correspondingly characterize as “innovation intermediation”.

From the innovating businesses’ point of view it is, on the one hand, important that company-specific knowledge does not diffuse into the business environment. On the other hand, it might be appropriate for a company to adapt knowledge from the organization’s environment in order to push ahead its own processes, even if only to close information gaps between technological possibilities and client needs (Besant/Rush 1995). To put it more abstract: innovation consulting includes the risk of losing company-specific know-how and the chance of gaining valuable information at the same time. According to Coleman (1990) these attributes characterize a decision situation of awarding trust.

The risk of knowledge outflow to a competitor in the consulting process to the detriment of one’s own business is, however, not as high as it might seem at first sight. Consultants do not practice industrial espionage in order to deliver blueprints specifically and synchronously from one company to another. Although consultants are chosen because of their experience with problems similar to the client’s, this experience will, however, hardly solve the client’s problem as exactly as the proverbial “missing link”. The experience brought in by the consultant from – usually previous – other consulting processes first needs to be mutually interpreted, understood and adapted. So even if organization theory proves ignorant towards the clause of client protection in contracts with consulting firms and fuels mistrust, practitioners have good reasons – due to the asynchrony of information transfer, as well as the lack of specificity, which goes along with the need for interpretation of the practical consulting knowledge – to trust consulting firms from time to time in the case of innovation processes. They also count on it that the potential gain in experience is opposed to a merely small risk of the unwanted transfer of know-how.

However, companies rather trust consultants than their remaining organizational environment: apart from those spectacular cases where hiring a consulting firm serves the legitimization and defence of decisions that were already taken and where it needs to be announced that a certain consulting firm is engaged in-house, only little is disclosed about the utilization and benefit of consulting. Perhaps companies do not want to convey the fatal signal of their weakness. It is therefore not surprising that so far only few studies are available on the particularities of innovation consulting.

All available studies on the utilization of consulting in innovation processes have in common that they emphasize the risk of outflow of central knowledge elements due to the involvement of intermediating consulting firms. Furthermore, these empirical studies share the assessment that consulting in innovation processes is a matter of trust. However, they only provide few hints as to what this trust is based on or how it can be signalled/shown/displayed by the consulting firms.

A central empirical finding from Glückler and Armbrüster (2003: 289-290) states that the involvement of consultancies is accompanied by a high level of uncertainty. This uncertainty results from a lack of sanction mechanisms on the part of the client, in order to defend themselves against the outflow of innovation knowledge. Also Wu et al. (2009: 3) state, based on in-depth interviews, that in an innovation consulting

process an outflow of knowledge from the enterprise receiving advisory services can be expected. While these authors share also the general scepticism of organization theory towards consulting firms as intermediaries, Hislop (2002) arrives at a more differentiated assessment in his theoretical analysis of the relationship structure between company and consulting firm. With reference to innovation consulting, on which we focus here, he writes: “Interactive innovation, however, involves disparate social communities, which can have very different systems of meaning. Relying on embedded client-consultant relations, at least to some extent, appears to provide a way of lessening the difficulties of the knowledge sharing that is required in such interactive innovation process” (Hislop, 2002: 669). According to that, the above mentioned need for interpretation of the knowledge that is transferred in innovation consulting processes is mainly based on the relative closeness of social circles, between which consultancies build their bridges – to put it in network-analytical terminology. But even if consulting firms succeed in creating trust to their clients for these reasons – Hislop (2002: 665) talks about “swift trust” – a risk of knowledge outflow remains on the part of the clients: it is the consultants’ business to collect and process practical knowledge obtained in consulting processes.

Summarizing these thoughts and findings of empirical studies, it can be noted that the consultancies’ task of processing general information and practical knowledge from other consulting processes implies the risk of diffusion of company-specific knowledge for the clients in innovation consulting. Hence, consulting firms build bridges between information pools or are – in the previously introduced network-analytical terminology – weak ties from their clients’ point of view.

2.4 Other partners in the process of innovation

Apart from consultants, direct business partners, i.e. customers and suppliers, are considered important partners in the innovation process (Brockhoff 2003, von Hippel 1978). Companies take up customer wishes or supplier information and use them as a starting point for their product or process innovations. In this regard there are generally two options: the companies carry out the process alone or they cooperate with their customers or suppliers in the process of the innovation. The first constellation is not relevant for further analysis. Companies that innovate based on information from the business environment do risk an indirect outflow of information via e.g. staff changing to competitors, but they are not in danger of losing know-how that is relevant for the innovation in the relationship with customers or suppliers. However, this risk exists if cooperative relationships are entered in the innovation process.

Independent of the legal arrangements in these cooperative relationships, i.e. from merely implicit or formal contracts up to joint ventures, they are a constellation of mutually specific investments (Williamson 1985) or a combination of resources (Coleman 1974), which imposes the risk of loss on both parties. Therefore, customers or suppliers, as well as the innovating focal business, have in such relationships an interest in shielding off third parties from the innovation process (Afuah/Bahram 1995, 75; Reichwald/Piller 2005, 9). Following this argumentation, we hereafter consider direct contacts in the business environment as strong ties in the terminology of network analysis.

2.5 Avoidance of uncertainty and dependence

Following these considerations, some hypotheses can be derived regarding the utilization of public, as well as private consultancy services in the innovation process. The term ‘innovation’, as we use it in this study, emphasizes the aspect of re-combining production factors. In anticipation of the operationalization, we generally assume that SMEs tend to resort to their customers’ knowledge, on the one hand, and to that of suppliers or network partners on the other, to detect problems or generate solutions, rather than drawing on the knowledge provided via the weak ties of the consulting system. Possibly, customer needs will rather be picked up in the context of product innovations, while supplier know-how is in demand when it comes to process innovations. Still, SMEs will not reject the services of the consulting system in principle. If they revert to public or private consultancies, then most likely if the company can easily control the uncertainties and potential power dependencies. This is easier for businesses that are strong in resources and therefore generally larger than for the smaller ones which are weaker in resources. The situation whether a company is well-equipped or not is operationalized by its size, measured by the number of employees. The first hypothesis is stated as follows:

Hypothesis 1: The better a business is equipped with resources, the more likely it is that consulting services are used in the innovation process.

However, different reasons can lead to the utilization of *weak* ties, in this case the consulting system. If critical resources have a high level of monopolization, the focal company needs – from the RDA’s point of view – to tap alternative resource repositories outside these power relations. Therefore, the consulting system can be useful in this situation. Because of the number of external contacts that varies with the size of a business, smaller companies will probably have more difficulties in getting access to alternative resource repositories. The reasons leading to the utilization or neglect of *strong* or *weak* ties cannot be empirically determined here. Following the argument of size, the reason for having to open up new resource repositories via weak ties should rather be valid for small businesses, though. The interrelation stated in Hypothesis 1 does, therefore, have to be tested for non-linearity, as smaller businesses are possibly using the consulting system to avoid a monopolizing dependency.

It can, in contrast, be generally assumed that the use of formal and informal control mechanisms lowers the risk of the outward flow of information through consulting in the innovation process. Particularly contracts with the implication of binding legal norms rank among the formal control mechanisms. However, legal norms and contracts also depend on trust due to their incompleteness. Trust in this context implies that, according to the assessment of a risky decision for or against a cooperation partner, a gain can more likely be expected than a loss. Following Coleman (1990), this expectation depends on experience from another specific or generalized relation, i.e. previous profitable transactions facilitate trust in specific transaction partners or in an anonymous system, respectively. These thoughts support our general assumption that businesses in an innovation process will rather cooperate with customers and suppliers or network partners than with the consulting system, as with the first two groups there is generally far more opportunity to develop a relation that is *resistant to disap-*

pointment (Luhmann 1973) than with the consulting system. This does not mean that innovating enterprises avoid involving consultancies. It means that it is unlikely that a consultancy is involved when the network is not strengthened by strong ties. Pfeffer and Salancik (1978) state that both the importance and the concentration of resources within the network are of great significance for managing scarcity. Concentration can be created in different ways. An organization can have a legally protected or legally established monopoly position, or a group of firms can act together as one (Pfeffer/Salancik (1978: 50). Contracts and trust are classical initiatives to stabilize innovation networks. The poorer a company is equipped with resources (see Hypothesis 1), the greater the importance of having an impact on the concentration within the network. Regarding the utilization of the consulting system in the innovation process this leads to two hypotheses that complement each other:

Hypothesis 2: The better the contractual agreement of the consulting service, the more likely it is that consulting will be utilized in the innovation process.

The contractual agreement was measured by the question if there was a binding contract and if the partner was tested beforehand and afterwards.

Hypothesis 3: The stronger the trust in the consulting system, the more likely it is that consulting will be utilized in the innovation process.

In the questionnaire the respondents were asked to indicate whether they trusted their cooperation partners and, vice versa, whether their partners had trust in them.

The RDA as well as the RV indicate with the terms *critical resources* and *core competencies* that not all resources or relations are equally important for organizations. Referring to the innovation process, it therefore needs to be differentiated to which extent the innovations are of main, strategic or just of minor importance. Strategically important innovations must rather be protected against information outflow than innovations of minor importance. The greater the expectation of the innovating company that the innovation induces high returns, the more likely it is that the higher costs of in-house production are accepted. Less strong partners are accepted to share knowledge and to participate in the earnings. In this situation trust is very important. These thoughts motivate the following hypothesis:

Hypothesis 4: The more important the innovations for the business, the less likely it is that consulting will be utilized in the innovation process.

To measure the novelty of the innovation we referred to the Hauschildt-Schlaak index. The items include the applied technology, channels of distribution, suppliers and production, the culture and structure of the organization and marketing costs (Hauschildt/Schlaak 2001).

2.6 Innovation management in Denmark and Germany

Just like for the European Union as a whole (Borrás 2003) it is also true for Denmark and Germany that the public authorities have intensified innovation policy as a means of promoting the national economy. With new consulting and organization concepts it is not only the innovation process, but also small and medium sized businesses as the bearer of innovations that are to be supported. SMEs are of central significance for

both the Danish and the Germany economy.¹ This is even more valid as SMEs increasingly become the initiator for innovations in large businesses, (Cooke/Wills 1999; Cornett 2007; Keeble/Wilkinson 1999; Nauwelaers /Wintjes 2003). Innovation policy was adapted as an integral part of business development policy (Cornett 2007: 231). Public consulting and funding institutions, research parks and *innovation clusters* that have recently been initiated in Denmark give evidence. However, referring to Germany, Reinhard (2001), for example, draws a critical conclusion. Although new structures to support knowledge and technology transfer were also created in Germany, their success fell short of expectations. Reinhard states that in order to overcome existing deficits a change in behavior needs to be initiated among businesses, and for this purpose, he demands more transparency of information in the technology transfer system, e.g. by setting up contact platforms or initiating networks.² Latniak/Rehfeld (1994) substantiate in a somewhat older study the information deficit that is criticized, based on a representative survey among SMEs in North Rhine-Westphalia. According to that, only 0.4% of the interviewed SMEs made use of public technology transfer institutions. Other public consulting centers were used just as little with 1.3% as private consultancies with 0.8%. According to this survey, SMEs will rather make use of direct informal (31.8%) or formal contacts (19.4%) to other businesses as a source of information when it comes to innovations.

While the significance of supporting innovations has been recognized in Denmark as well as in Germany and new institutions have been established to provide this support, there are differences in kind and scope. Based on the data on the German-Danish comparison, which will be introduced in more detail later, initial descriptive analyses show distinctive differences: Danish SMEs use opportunities for consulting significantly more often, in particular the offers of private consultants. While roughly

¹ With regard to the comparative analysis of innovation management in Danish and German SMEs it is significant that both countries are characterised by small and medium-sized companies: 99.7% of the Danish and 99.5% of the German companies in the non-financial sector of the industrial economy (NACE sections C to I and K) are SMEs with less than 250 employees in 2008 (Schmiemann 2008, 3). These companies provide work for 58% of all employees in Denmark and 63% of the German employees. They generate 64.8% of value added in the industrial sector in Denmark and 53.2% of the Germany value added (OECD STI 2008). The figures show that Danish SMEs are more productive than German businesses with less than 250 employees. For 2005 Eurostat found that 100 employees in Danish SMEs generate a value added of € 59 million, while only € 45 million are generated by 100 employees in German SMEs (Schmiemann 2008). Regarding strategic investments in innovations we can see that in Denmark SMEs invest 9% of the “Industry Added Value” in research and development, while German SMEs invest only an average of 3% in this field. Comparing the output of “New-to-market-product innovations” Danish businesses do better with 22% successfully innovating SMEs than the German SMEs with only 8% (OECD STI 2008).

² The demand regarding the initiation of networks and more transparency in the communication process ignores the dialectics of “strong” and “weak” ties: Burt rents can only be generated if information does not diffuse randomly. Therefore, brokers and mediators are highly interested in keeping up the information gradient (Gretzinger/Matiaske 2000).

16% of the SMEs call in private consultancies when it comes to innovations, this is only true for 7.5% of the German SMEs that were interviewed.

The question of why Danish/Scandinavian companies in the innovation process are more open towards consulting was investigated by Poulfelt/Payne (1994). They suspect cultural reasons or rather reasons in the difference in organization culture between Danish/Scandinavian and other European/US-American businesses. Ultimately, they ascribed the differences in communication behavior to cultural differences. According to that, employees in Scandinavian companies work more independently and more self-organized than those in other European or in US-American businesses. Moreover, the innovation process in Scandinavia is run in a less authoritarian manner (Sounden/Jensen, 1999). This allows employees of Scandinavian businesses a more spontaneous communication behavior and to make new contacts autonomously, if it is appropriate (Brodbeck, et. al. 2000).

The structure of the Danish consulting industry accommodates this behaviour of businesses and their employees. Except for few large consulting firms, the industry is largely characterized by small companies; approximately 70% of the consulting firms employ less than five consultants (Poulfelt/Payne 1994, 425). This implies that, in general, the consultancies work locally. Based on interviews conducted in the context of our study on consulting firms, we assume that the geographic proximity is linked to specific operating procedures: unlike on the German side, where consulting firms act only if clients express interest, consulting firms on the Danish side know the SMEs in their catchment area well, due to regular formal and informal contacts, and are, in a way, proactive .

Culture is certainly a significant influencing factor on the socialized behavior of individuals. Therefore, there is always the risk in cross-cultural comparative analyses that the analysis of economic, social and legal marginal conditions is terminated too early with reference to different mentalities. From an organization theory perspective, these references to cultural differences are in any case an unsatisfactory reasoning, as they allow little room for opportunities. It should be noted that so far there is hardly any indication for an explanation of the different usage patterns when it comes to opportunities for cooperation in the innovation process of Danish and German businesses. However, if Danish SMEs are more successful in dealing with the dilemma of *strong* and *weak* ties, this would be a good reason to take a closer look at the behavior of these organizations. It might moreover be useful to cast a glance at Denmark in order to improve the efficiency of the consulting system elsewhere as well. Business opportunities for increasing efficiency depend, however, on the set-up of organizational structures and behavior, and not in changing national cultures. In the empirical analysis we therefore want to examine potential differences in the cooperation behavior of Danish and German SMEs without deriving a hypothesis, for lack of a logical connection.

As mentioned before, it is often stated that the organizational structure in Denmark supports the process of keeping in contact much better. The power distance seems to be greater in Germany than in Denmark, and therefore one could expect that the process of developing networks and exploiting weak ties is better in Denmark. However, until now there is no real evidence for the hypotheses that Danish SMEs

are better integrated than German SMEs. So we decided not to state a strong and direct hypothesis. With regard to the country effect, our research is explorative. We expect a difference and we want to find out more about the theoretical background.

3. Empirical Study

3.1 Data base and operationalization

The data set of this study is based on a postal (Denmark) and a telephone (Germany) survey on the innovation behavior of SMEs and on the utilization of the consulting system in both countries. In both countries two surveys were conducted: one in businesses, the other in public and private organizations offering innovation consulting services. According to the focus of this study only the business data are used here.³

Table 1: Size categories and innovation behaviour

| NUMBER OF EMPLOYEES | COUNTRY | | | | INNOVATION AVAILABLE | | TOTAL | |
|---------------------|---------|--------|-----|--------|----------------------|--------|-------|--------|
| | DK | | D | | | | | |
| 5-9 | 165 | 43.5% | 42 | 11.1% | 101 | 20.5% | 207 | 27.3% |
| 10-49 | 121 | 31.9% | 196 | 51.6% | 202 | 41.1% | 317 | 41.8% |
| 50-99 | 40 | 10.6% | 53 | 13.9% | 67 | 13.6% | 93 | 12.3% |
| 100-199 | 29 | 7.7% | 45 | 11.8% | 61 | 12.4% | 74 | 9.7% |
| 200-499 | 15 | 4.0% | 37 | 9.7% | 46 | 9.3% | 52 | 6.9% |
| ≥500 | 9 | 2.4% | 7 | 1.8% | 15 | 3.0% | 16 | 2.1% |
| total | 379 | 100.0% | 380 | 100.0% | 492 | 100.0% | 759 | 100.0% |

The population of SMEs was limited by the target criteria location, size and industry. On the Danish side, businesses from Jutland and Funen were included, while it was SMEs from the federal states of Mecklenburg-Western Pomerania, Hamburg and Schleswig-Holstein in northern Germany. Businesses from the population do not employ less than 5 and not more than 500 members of staff and are from the goods-producing industry.⁴ Both partial surveys were carried out based on random samples. The return rate of the postal survey in western Denmark was roughly 12%. In Germany, approximately 31% of those SME from northern Germany who were contacted could be used. Only members of executive management were interviewed.

Table 1 provides information about the distribution according to size and innovation behavior. Usable information is available for 759 SMEs in total, half of which are based in Denmark and Germany, respectively. The distribution between size categories

³ The surveys were carried out within the scope of the Danish-German research project “Innovation behaviour of SMEs” of the University of Southern Denmark and the University of Flensburg, which was funded by the EU (duration 10/2002 – 03/2006). Field phases were in 2003. Surveys on the Danish side were carried out by the University, on the German side TNS Emnid was instructed to do the telephone survey (cf. in detail Dannenberg/Thaysen 2005).

⁴ The industry classification is defined by the NACE-code numbers 15-41.003, excluding publishing 22.1-22.15.0. This corresponds mainly to the sectors of food, beverages and tobacco, textiles, wood and furniture, rubber and plastic, iron and metal, electronics, as well as means of transport.

ries shows a significantly higher share of very small businesses with 43.5% of all Danish SMEs, compared to the German partial sample, where 11.1% of the businesses employ between five and nine persons. The few businesses with 500 and more employees are those that had slightly exceeded the limit at the time of the survey, deviating from the directories of the population. Micro-enterprises with less than 5 members of staff, which were registered in the directories with a larger number of employees, were left unconsidered in the evaluation and the telephone survey. According to their own information, approximately two thirds of the businesses that were interviewed could record at least one innovation in the past three years. These 492 businesses are the data base for further analyses.

Table 2: Operationalizations

| NAME OF VARIABLE | OPERATIONALISATION |
|--------------------------|---|
| "strong tie" | Cooperation with customers and suppliers in the innovation process |
| "weak tie" | Cooperation with public or private consultants in the innovation process |
| size | Number of employees |
| contract | 1) Was the partner subjected to specific test criteria before entering the cooperation? (yes/no) 2) Was a contractually binding agreement entered with the partner? (yes/no) 3) Was the partner subjected to specific test criteria after the completion of the cooperation? (yes/no) |
| trust | 1) Does your partner trust you? (4 fully, 1 not at all) 2) Do you trust your partner? (4 fully, 1 not at all) |
| Hauschildt-Schlaak index | Novelty of the innovation (Likert scale, 7 items, Cronbach's $\alpha = .91/.95$) |

Table 2 lists the operationalizations of the variables that were used in the hypotheses (see appendix 1). In the survey we asked in detail about cooperation in the innovation process. One series of questions dealt in general with the cooperation, the last innovation process in the past three years being the anchor point. Two other series asked in more detail about the last successful resp. unsuccessful innovation in the time period. *Strong* ties with cooperation partners in the innovation process are measured as relations to customers and suppliers. The tie-groups are usually mentioned jointly in the underlying multiple answer ($r = .40$). In total 52.8% of the businesses cooperated solely with customers and suppliers in the innovation process. Accordingly, cooperation with public or private consultants are subsumed as *weak* ties. Apart from a few exceptions, these businesses have both *strong* and *weak* ties. The two consulting categories correlate with $r = .31$. In total 34.3% of the enterprises did not enter any partnership in the last innovation process. With 14.7% Danish SMEs utilized weak ties slightly more often in the innovation process than the German SMEs, where public or private consultancies were used in only 11.3% of the cases.

The variables regarding the contractual agreement and trust in the partner in the innovation process are obtained through questions which describe the relation with the cooperation partner in more detail. We surveyed whether the partner was checked by the SME *ex ante* or *ex post* with specific criteria and whether there was an explicit contractual relationship with the partner in the innovation process. Furthermore, the trust relationship was reciprocally surveyed in self-assessment and the expected third-

party assessment. This item set was subjected to a principal component analysis and was rotated orthogonally. As a result we receive two independent components, one of which depicts predominantly the contractual agreement, the other the trust relationship with the partner.

Another item set, which is known as the Hauschildt-Schlaak index, measures the degree of novelty of the innovation for the company. The items refer to the applied technology, channels of distribution, suppliers and production, the culture and structure of the organization and marketing costs (Hauschildt/Schlaak 2001). To determine an anchor point for this scale, the interviewees were first asked to describe in an open answer both the most successful and the least successful product innovation of the past three years. For each of these innovations, if available, we obtained the Hauschildt-Schlaak index. The reliability of the scale is remarkably high, with $\alpha = .91$ for successful innovations and $\alpha = .95$ for the unsuccessful innovations.

3.2 Findings

Binary logit estimations are applied for the modeling. Target variable in all models is the utilization of weak ties in dummy coding⁵.

Corresponding to the hypotheses we developed, the models successively take on the variables for business size as proxy for resource equipment, the indices for contractual agreements and trust between the cooperation partners as well as the country in dummy coding (0 = DK, 1 = D). Extended models with additional control variables will not be reported here, as the variables of organization demography, which have so far been considered, do not lead to findings that are fundamentally different.

Table 3 reports the findings for the last innovation process in the past three years⁶. The table shows the marginal effects, as those allow a direct interpretation of the direction and impact of effect. The signs of the marginal effects show the predictor's direction of effect, i.e. a positive sign indicates that the probability of the SME entering weak relations in the innovation process rises with a marginal increase of the independent variable. Along these lines it applies to the country dummy that the direction of effect needs to be interpreted with regard to the reference value – here Den-

⁵ Cooperation partners could be organized according to a Guttman scale or a Mokken scale ordered by the risk of losing knowledge in the process of innovation with “no cooperation” (step 1), “customer/suppliers” (step 2), and “public/private consultants” (step 3). Technically speaking the items form a perfect Guttman scale, if we exclude six cases which only report weak cooperation ties and not also strong ties. With regard to Hypotheses 2 and 3, the remaining dataset corresponds exactly to the argumentation that was developed here. Only SMEs that have close relations to their partners in the cooperation process will also enter the risk of additional weak relations. Therefore, the available data can already be assessed as an indication for the conclusiveness of the presented arguments regarding the utilization of weak ties. The Guttman scale can be used as independent variable in ordinal regression models. The results of these models do not differ substantially from the common binary logistic models which are reported here.

⁶ In the estimations we use multiple imputations (ICE Royston 2004, van Buuren et al. 2006) to handle missing values. The results do not differ substantially, so we present the standard models.

mark. Therefore a negative sign implies that Danish SMEs are more likely to build up ties with consultancies than German businesses.

Table 3: All enterprises, probability of utilization of “strong” vs. “weak” ties

| PREDICTORS | (1) BASIC MODEL | (2) + CONTRACT | (3) + TRUST | (4) + COUNTRY | (5) + PUBLIC CON- SULT | (6) + PRIVATE CONSULT |
|----------------|------------------------|------------------------|------------------------|------------------------|---------------------------------|-----------------------------|
| size | 0.0467*** (0.0010) | 0.0487*** (0.0012) | 0.0489*** (0.0012) | 0.0511*** (0.0006) | 0.0255*** (0.0020) | 0.0380*** (0.0029) |
| contract | - | -0.0262 (0.2500) | -0.0263 (0.2480) | -0.0361 (0.1170) | -0.0144 (0.3010) | -0.0148 (0.4630) |
| trust | - | - | 0.0086 (0.7080) | 0.0127 (0.5760) | -0.0031 (0.8170) | -0.0002 (0.9910) |
| country | - | - | - | -0.1020** (0.0273) | -0.0109 (0.7000) | -0.1140*** (0.0036) |
| constant | -0.3990*** (0.0000) | 0.4050*** (0.00000) | -0.4060*** (0.0000) | -0.3540*** (0.0000) | -0.2490*** (0.0000) | -0.2910*** (0.0000) |
| n | 323 | 288 | 288 | 288 | 288 | 288 |
| LL | -154.24 | -135.75 | -135.75 | -133.29 | -72.61 | -113.71 |
| p | 0.0010 | 0.0015 | 0.0044 | 0.0013 | 0.0151 | 0.0021 |
| R ² | 0.0323 | 0.0432 | 0.0437 | 0.0605 | 0.0657 | 0.0633 |

Logit: Marginal effects for all SMEs with at least one innovation and cooperation partners. Probability p in brackets.

***p<0.01, **p<0.05, *p<0.1

The results show that the model estimates are altogether significant throughout the analysis, but that explanatory contributions for the SMEs' decision behavior are, however, low. Pseudo R² values are between 3% and just above 6%. The variance explanation can hereby almost solely be referred back to the variables size and country. Compliant with the hypotheses, a better resource equipment of the business, represented here by business size, is accompanied by a greater usage of the consulting system. The variables of contractual agreement and trust in strong cooperation relations to customers and suppliers, which are important from a theory perspective, do not influence the utilization of consulting in the innovation process according to these analyses. This holds also true if the consulting system is not analyzed as a single unit with regard to the target variable, but separately for public and private consultancies. In contrast, the differentiated analysis shows clearly that the significantly higher utilization of the consulting system in Denmark can be referred back to the more frequent involvement of private consultancies in the innovation process. In this respect, German SMEs are comparatively reserved, as already mentioned in the description of the data.

Similar results can be recorded for the analyses of the most and least successful innovation of the past three years, which is compiled in tables 4 and 5. First of all, it should be noted that nearly all SMEs that generally reported an innovation in the relevant time period also had a successful innovation. In contrast, a less successful innovation can only be found in roughly half of the SMEs with innovations.

Table 4: (Enterprises with successful innovation), probability of utilization of “strong” vs. “weak” ties

| PREDICTORS | (1) BASIC MODEL | (2) + CONTRACT | (3) + TRUST | (4) + COUNTRY | (5) + PUBLIC CON- SULT | (6) + PRIVATE CONSULT |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------------|-----------------------------|
| size | 0.0445*** (0.0043) | 0.0422*** (0.0090) | 0.0421*** (0.0093) | 0.0446*** (0.0052) | 0.0257*** (0.0021) | 0.0325*** (0.0161) |
| Hauschildt- Schlaak | 0.0012 (0.8760) | -0.0044 (0.5820) | -0.0046 (0.5640) | -0.0028 (0.7220) | -0.0056 (0.2400) | 0.0013 (0.8500) |
| contract | - | -0.0322 (0.2070) | -0.0322 (0.2060) | -0.0426* (0.0951) | -0.0201 (0.1630) | -0.0154 (0.4860) |
| trust | - | - | -0.0057 (0.8180) | 0.0003 (0.9910) | -0.0077 (0.5800) | -0.0089 (0.6700) |
| country | - | - | - | -0.121*** (0.0137) | -0.0136 (0.6310) | -0.136*** (0.0011) |
| constant | -0.402*** (0.0000) | -0.332*** (0.0026) | -0.329*** (0.0031) | -0.290*** (0.0082) | -0.181** (0.0104) | -0.277*** (0.0038) |
| n | 284 | 257 | 257 | 257 | 257 | 257 |
| LL | -139.86 | -123.58 | -123.56 | -120.59 | -64.32 | -101.79 |
| p | 0.0165 | 0.0252 | 0.0520 | 0.0084 | 0.0145 | 0.0051 |
| R ² | 0.0271 | 0.0348 | 0.0350 | 0.0582 | 0.0846 | 0.0696 |

Logit: Marginal effects for all SMEs with a successful innovation and cooperation partners. Probability *p* in brackets.
****p*<0.01, ***p*<0.05, **p*<0.1

Table 5: Enterprises with less successful innovation. Probability of utilization of “strong” vs. “weak” ties

| PREDICTORS | (1) BASIC MODEL | (2) + CONTRACT | (3) + TRUST | (4) + COUNTRY | (5) + PUBLIC CON- SULT | (6) + PRIVATE CON- SULT |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------------|----------------------------------|
| size | 0.0671*** (0.0007) | 0.0616*** (0.0022) | 0.0610*** (0.0026) | 0.0608*** (0.0025) | 0.0297*** (0.0163) | 0.0410*** (0.0088) |
| Hauschildt- Schlaak | 0.0062 (0.4750) | 0.0071 (0.4280) | 0.0069 (0.4400) | 0.0079 (0.3790) | 0.0096* (0.0774) | 0.0030 (0.6810) |
| contract | - | -0.0174 (0.5880) | -0.0175 (0.5840) | -0.0330 (0.3260) | -0.0023 (0.9190) | -0.0147 (0.5860) |
| trust | - | - | 0.0080 (0.8030) | -0.0030 (0.9250) | 0.0214 (0.3140) | -0.0343 (0.1710) |
| country | - | - | - | -0.0928 (0.1720) | -0.0104 (0.8130) | -0.1160** (0.0357) |
| constant | -0.541*** (0.0000) | -0.534*** (0.0000) | -0.530*** (0.0000) | -0.498*** (0.0000) | -0.392*** (0.0000) | -0.345*** (0.0007) |
| observations | 174 | 161 | 161 | 161 | 161 | 161 |
| LL | -85.43 | -77.54 | -77.51 | -76.58 | -47.70 | -60.47 |
| <i>p</i> | 0.0023 | 0.0104 | 0.0235 | 0.0236 | 0.0752 | 0.0085 |
| R ² | 0.0645 | 0.0657 | 0.0660 | 0.0773 | 0.0846 | 0.1081 |

Logit: Marginal effects for all SMEs with less successful innovation and cooperation partners. Probability *p* in brackets
****p*<0.01, ***p*<0.05, **p*<0.1

As before, we successively extend our base model by the variables size, contract, trust and the dummy for the differentiation of the countries. Contrary to Hypothesis 4, the relevance of the innovation process, measured with the Hauschildt-Schlaak index, does not change the usage pattern of the consulting system by SMEs. Only in a differentiated analysis we do find a significantly higher utilization of public consulting institutions in the case of less successful innovations. Spontaneously, this effect could be interpreted in such a way that in innovation processes which are important but where success is jeopardized, public consultancies are called in as *friends in need*. However, this single finding should not be overrated. For the country dummy, on the other hand, we find a familiar pattern. Compared to German businesses, Danish SMEs utilize the consulting systems significantly more often. In the case of less successful innovations this only holds true for private consultancies, though, and not anymore for the consulting system in general.

4. Discussion

The importance of innovations in SMEs for an economy that is characterized by small and medium-sized businesses like in Denmark and Germany motivates a policy promoting innovations. However, SMEs in an innovation process use by far rather the *strong* ties to customers and suppliers to initiate and enforce innovations than the *weak* ties to the consulting system. From the perspective of resource-oriented strategic management this cooperation behavior in the innovation process is coherent, as knowledge of potential or concrete innovations might diffuse via the *weak* ties and possibly drift to competitors. The study we present here also shows this decision behavior empirically: Both Danish and German SMEs utilize the *strong ties* much more than the *weak* ties when choosing the cooperation partners in the innovation process.

In order to improve the utilization of the consulting system, a deeper understanding of the SMEs' cooperation behavior is essential. Here we argue with reference to the RDA that organizations will generally try to strengthen their external relations to other actors to avoid power dependencies and the influence associated with that. As a result, SMEs will only use the *weak* ties of the consulting system if they can control them or if they see a chance of evading power dependencies by using the consulting system. Based on the data that were used, it is almost exclusively the first case that can be observed empirically: generally SMEs will only build relations to the consulting system if they have strong cooperation relations at the same time. In contrast, it is only in exceptional cases that relations to the consulting system are recorded if there are no strong cooperation relations at the same time.

Based on the RDA a number of arguments were developed to provide a better explanation of the cooperation behavior of SMEs. The first assumption is that the supervision of external relations depends on the resource equipment of the organization, i.e. larger organizations should rather see themselves as being able to enter weak relations than comparatively smaller businesses. While this hypothesis is confirmed, the more specific hypotheses are not confirmed in the same way. The argumentation that those SMEs that cannot secure their *strong* cooperation relations with formal (test criteria or contracts) or informal (mutual trust) control mechanisms will rather enter *weak* ties is not supported by the data analyses presented here. It is rather the mere presence

of *strong* cooperation relations that will suffice to enter also weak relations. Neither is our further argumentation that the novelty and the uncertainty of the innovation process that is linked to it influence the cooperation behavior confirmed by the multivariate analysis. Comparing Denmark and Germany, however, the results of the multivariate analysis show that Danish SMEs utilize the consulting system, especially private consultancies, comparatively more often than German SMEs.

Practically these findings lead to the assumption that the consulting system has difficulties in reaching smaller SMEs. This means that a considerable effort is required from public consultancies in particular to support innovations in SMEs. Based on this study it could not be clarified to which extent the decision behavior of SMEs indicates how the consulting system might be improved in other ways. This implies a need for research, as the conditions under which SMEs would wish for and would utilize consulting need to be clarified. To answer these questions a more differentiated argumentation might be necessary which also deals directly with the relations between SMEs and consultancies, not only indirectly with the cooperation relations with other partners. This argumentation was tailored to the research strategy of secondary analysis that was pursued here and which also accounts for part of the limits of this study. Certainly, the response to more profound questions requires another, extended database which provides more information about the behavior of SMEs in the innovation process and the utilization of the consulting system.

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Appendix

I. Questionnaire (in extracts)

1. With whom does your firm cooperate in the process of product development? (Strong Ties/weak Ties)

(Multiple answers permitted)

- a. Customers
- b. Suppliers
- c. Private Consultancies
- d. Public Consultancies
- e. External Investors
- f. Competitors
- g. Other

2. How many employees does your company have? (Size)

- a. Less than 5
- b. 5 – 9 employees
- c. 10 – 49 employees
- d. 50 – 99 employees
- e. 100 – 199 employees
- f. 200 – 500 employees
- g. More than 500 employees

3. Was your future partner subjected to specific test criteria before entering the cooperation? (Contract)

- a. Yes
- b. No

4. Was your cooperation partner subjected to specific test criteria during/after the process of cooperation? (Contract)

- a. Yes
- b. No

5. Is there a relationship of mutual trust? Does your partner trust you? (Trust)

- a. Fully

- b. Satisfactorily
- c. Limitedly
- d. No trust

6. Do you trust your partner? (Trust)

- a. Fully
- b. Satisfactorily
- c. Limitedly
- d. No trust

Novelty of innovation (Hauschild/Schlaak Index)

7. Regarding the least successful innovation of your company, please indicate whether each of the statements below applies, partly applies or does not apply.

- a. The technology applied in the new product was really new for our enterprise.
- b. The new product required us to use distribution channels we had not had much experience with before.
- c. The behavior of the suppliers in charge of delivering the material for the new product was not predictable.
- d. Most of the necessary production facilities were not available at our company beforehand.
- e. There was a great need to create a new organizational subunit and/or a separate team.
- f. Product development, launch and sales lead to a significant change in the organizational culture.
- g. Marketing costs per piece of the new product are higher than ever before.

II. Analysis of inter-correlation

Table 6: Analysis of inter-correlation

| | WEAK TIES | SIZE | HAUSCHILD-SCHLAAK (successful) | HAUSCHILD-SCHLAAK (less successful) | CONTRACT | TRUST |
|---------------------------------------|-----------|---------|--------------------------------|-------------------------------------|----------|-------|
| size | 0.120 | | | | | |
| Hauschildt-Schlaak, (successful) | -0.005 | 0.034 | | | | |
| Hauschildt-Schlaak, (less successful) | 0.067 | 0.011 | 0.202 | | | |
| contract | -0.091 | -0.1351 | -0.295 | -0.132 | | |
| trust | 0.015 | -0.0257 | -0.128 | -0.006 | -0.002 | |
| country | -0.087 | 0.134 | 0.133 | -0.180 | -0.211 | 0.056 |

n = 288

n* = 257 (without the cases of no successful innovation)