
Editorial

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John Burgess is a Professor of Management from the RMIT University, Melbourne, Australia. He has conducted research on agricultural clusters and regional development, especially linked to the wine industry. He has been involved with ongoing collaborative research programs on clusters with researchers from the European University of Flensburg and the University of Southern Denmark.

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A network is a mode of governance that links individuals and organisations (Waserman and Faust, 1994). Through a network, connections are made, information is exchanged, knowledge is shared, and common aims are pursued. Networks are ubiquitous and range from the local sporting club, through to chambers of commerce, political parties, trade unions, professional organisations and religious groups. A network can be open, conditional or closed. Networks can be informal and flexible; or formal and regulated. Membership could be voluntary or compulsory. The network itself may be charitable and not for profit; to commercial and profit driven. In the digital age the network can be virtual, international and continuous. In this case a network does not necessarily require a physical manifestation or a formal code of operating procedures. Information sharing, information exchange, linking up to others is possible across all endeavours from sport and politics, to religion, business, romance and professional organisations. The networked economy is vast, the number of formal and informal networks is large, and on a daily basis everyone has the opportunity to join a multitude of networks, and, if you are online you will receive daily invitations to join social, professional and commercial networks (de Man, 2004).

In the business sphere, networks have a long history from craft guilds and professional collectives, through to cooperatives (Casson and Cox, 1993). The reasons for grouping together included certification to practice, to train and employ apprentices, to access forms of protection and insurance, to pool and share limited resources and expertise and to limit entry into the trade and profession. The collective was supported through legislative and political processes locally, nationally and in the case of trade collectives by force of arms. Apart from the restrictions and protections, networks also opened up opportunities for sharing information, accessing expertise and linking up with other crafts and professions. In the networked economy the same search for information, support, expertise and risk sharing drives the formation and participation in networks. In this special issue there are three issues that are highlighted by the included papers. First, that networks generate synergies and economies that assist SMEs offset the disadvantages they suffer in competing in local, national and international markets. Through networks they can access resources that they would otherwise not have access to (Shaw, 2006). Second, and in a broader social and economic context, networks are a

necessary component for supporting regional development. Just as SMEs lack expertise and resources, regions are also removed from resources, infrastructure and expertise. Networking is a means of offsetting this regional competitive disadvantage (Gronum et al., 2012). Two of the papers highlight the long-term and continued importance of producer cooperatives, often state sponsored, in supporting SMEs and regional development. The third point is that formal networks in themselves are not necessarily successful in effectively supporting SMEs and local development; the architecture and processes supporting the network will have an impact on network effectiveness. In particular the support structures such as the incorporation of effective mentor arrangements for SMEs and having an open and transparent network structure are important for network effectiveness (Balestrin et al., 2008).

The four papers that are included in the special issue are diverse in terms of their industry and geographical coverage, yet they are all linked to SMEs, regional networks and regional development. Across the globe the focal point for growth and jobs tends to be large urban centres, and as a result it is the regions that are often beset by problems of low growth, few jobs and the transfer of capital, labour and talent to urban centres (Henderson, 2000). Many governments have active regional development and support programs to address these challenges. SMEs, as the cornerstone of regional economies, face a range of challenges in terms of growth and survival (Hertog, 2010). Networking arrangements that provide resources, contacts, and expertise, constitute an effective institutional process to support SMEs to realise their potential. In the papers that follow, there are several different forms of networks identified in terms of their purpose, governance and scope. However, in the case of the specific examples identified in papers 2, 3, and 4, the networks are demonstrated to be effective in supporting SMEs and regional development. An attraction of the special issue is that the four papers contain a diversity of research processes: literature analysis, surveys, the analysis of secondary data, semi structured interviews, and documentary analysis.

Jalleh Sharafizad provides a wide-ranging and systematic review of the literature on mentors and networks within an SME context in the first paper of this special issue. In the business literature, while there is an extensive body of research on networks, the studies tend to focus on larger firms with extensive internal and external networks. There are fewer analyses of the operations of networks that encompass SMEs. In many cases, SMEs lack the expertise, resources or contacts to identify and participate in networks that could potentially contribute towards achieving their business objectives. The focus of the review is toward the role of mentors in assisting and supporting SMEs to build and participate in networks. The review represents one of the first that has systematically evaluated the contribution of mentors towards SME network building. From the review a number of key research gaps are identified and these in turn are linked to research propositions that support future research in the field. This paper represents an important foundation for developing a future research agenda in the field.

Antonino Galati, Antonio Tulone, Salvatore Tunervia and Maria Crescimano follow up on the issue of researching SMEs and their use of networked resources in the second contribution included in this special issue. The Italian wine industry has a large SME presence and a long tradition, enshrined in legislation, of producer cooperatives in agriculture. Cooperatives bring together small and independent wineries. Through cooperatives resources can be shared and there are gains through economies of scale, marketing and access to a range of resources and expertise that would not otherwise be

available to individual SMEs. Cooperatives also perform a social function to bring producers together to share information and coordinate activities, and to maintain the agricultural traditions and culture of regions. In the paper the authors, using the resource-based view of the firm as their theoretical lens, carry out a statistical analysis from available secondary data on the key determinants of the performance of wine cooperatives in Sicily with a focus on the internal resources that are available to the cooperative. The findings suggest that the performance of the wine cooperatives is linked to tangible and financial resources. That is buildings, machinery and available finance. Since these are shared resources the indication is that by building up internal resources the competitive advantage of the wine cooperatives is enhanced.

Staying with the themes of SMEs and regional networks, Ingridi Vargas Bortolaso, Jorge Renato Verschoore and Giovanni Battista Dagnino present a study of network effectiveness in the context of the Brazilian state of Rio Grande do Sul. Their paper is the third paper that is included into this special Issue. The state government has developed a formal Cooperative Network Program (CNP) to support SMEs and regional development. Public funding and university participation support the formation and development of the networks. From a survey of 150 firms participating in the CNP, the research tested a number of hypotheses around the concept of network openness. For the purposes of the analysis, openness was defined to include inclusiveness (participation) and transparency (awareness and understanding). The analysis indicated the greater the degree of openness the better the performance outcomes for the networks. An open approach brings SMEs together, increases information sharing and encourages cooperation. Through openness the networks are able to develop value adding activities linked to cooperation. In terms of governance implications, the development of networks, especially for SMEs, should give priority to the openness of the network for the purposes of realising network objectives.

Finally, Sidsel Grimstad, Jennifer Waterhouse and John Burgess continue the theme of the analysis of regional networks of SMEs, this time in the wine sector. Using the Hunter Valley wine cluster in Australia as a case study, and with the support of documentary analysis and interviews with key informants, the paper provides an analysis of the historical evolution of a wine cluster to a wine tourist cluster that incorporates a range of supporting activity including accommodation, entertainment and gastronomy. Wine regions are a natural cluster framed by climate and location. Throughout the globe there are many regions that are dependent on the wine sector for jobs and income. With the growth in incomes, access via mass travel and the development of a wine-based tourism experience, many wine regions have evolved to embrace a range of activities and services to attract and retain tourists. The Hunter Valley case highlights how clusters can evolve and be transformed through time and that resilience, adaptation and innovation is supported by both adversity (natural disasters, adverse price and currency movements, changing tastes) and opportunity (technology, infrastructure developments) which can change the character and industrial composition of a cluster, while at the same time retaining its wine heritage and identity. The case study in particular highlights the importance of open clusters that support business turnover and the entry into the cluster of new businesses, investors and innovators.

Based on these four papers, this special issue discusses vital contemporary issues within networks or related to resources of relevance to networks, particularly for steering through times of changing business ecosystems. Furthermore, the special issue offers a contribution to understand the role of SMEs in regions and how the development,

implementation and evolution of various networked activities and programs influence business outcomes as well as the character and culture in defined geographic areas.

Following from these studies there are at least two roads ahead for further research on networks and business ecosystems. First, how do SMEs and their networks gain and suffer from the business ecosystems in which they are embedded. Some business ecosystems are well-established and include many resources and actors, whereas others are less developed. How do these circumstances positively and negatively influence the functioning of SMEs and their networks? Second, it is relevant to investigate what determines the role and position of SMEs and their networks in business ecosystems. One thing is to be part of a business ecosystem, another thing is to have access to the right resources and actors when needed. Whether this access is a matter of power, negotiation, or something else demands additional research.

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