Track : 12 International networks and alliances
Session format: Competitive paper

The In-between Firm Specific and Country Factors:

The Role of Clusters in Internationalization Decisions

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ABSTRACT

This paper explores the impact of cluster networks on firms' internationalization decisions. Existing perspectives have focused on firm specific and country level factors, and we argue that the role of the regional cluster networks remain less understood. Based on 60 in-depth interviews with firms in the maritime cluster in a region in Norway, we have identified 33 internationalization decisions. Our analysis shows that firms are motivated by their location within a cluster when undertaking internationalization decisions. These effects may be directly motivated by close network partners, indirect through meta-luster knowledge, or extended international networks through cluster partners. We contribute to the internationalization literature by adding knowledge on firm's internationalization decisions. We also suggest that motivations triggered by cluster location changes over time due to firm and cluster development characteristics.

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INTRODUCTION

Economic activity is not evenly distributed across the globe, but tend to group in what has been termed clusters (Porter, 1990; 1994). Clusters can be defined as'a geographically proximate group of inter-connected companies and associated institutions in a particular field, linked by commonalities and complementarities' (Porter, 2000:254). As such, clusters develop around certain industries, such as IT (e.g. Silicon Valley or Bangalore), health (e.g. Copenhagen) or oil and gas (e.g. Houston, Aberdeen, Calgary). The main idea is that geographical proximity fosters rich and contextualized knowledge transfer, which stimulate a healthy balance between collaboration and competition subsequently stimulating innovation.

From the 1990's regional clusters have in general become more international, both inward through foreign MNCs investments, and outward through firm internationalization (Bellandi and Caloffi, 2008, Bertolini and Givannetti, 2006, deMartino et al., 2006, Hervás-Oliver and Albors-Garrigós, 2008, Yeup and Le-Yin, 2008, Pelegrín and Bolancé, 2008, Phelps, 2008, Shen et al., 2000). The role of MNC's in shaping and developing local clusters has been studied extensively (see for example Mudambi and Santangelo, 2015 for an overview). The effect cluster "membership" could potentially have on firm's internationalization decisions is, however less focused in existing literature. Belussi and Sedita (2009) suggest that multiple path developments among comparable clusters may be a result of differences in firms' strategies, pointing to the relation between firm actions and cluster development. Chan, Makino and Isobe (2010) find that variations in subnational regions, i.e. clusters, significantly explain foreign affiliate's performance, particularly in emerging economies, suggesting that belongingness to a region at home has consequences for firm's actions abroad. Anderson et al. (2013) point out that whether and to what extent location within a cluster influences firm's internationalization

decisions is hardly previously studied, neither in the international business nor economic geography literature. Further, the potential influence a cluster location has on the motives for decisions to internationalize, is, to our knowledge, not studied at all.

The location and control decisions of multinational enterprises are at the core of managerial decision-making in international business. For each activity the firm undertakes, it has two critical decisions: (1) Where should the activity be located? (2) How should it be controlled? (Buckley, 2004). Whereas Buckley, Devinney and Louviere (2007) claim that location decisions for FDI have received little scholarly attention, Beugelsdijk and Mudambi (2013) write that MNC location choices have become the focus of a growing body of research, stimulated by researchers combining perspectives from IB and economic geography. They claim, however, that the IB literature see border-crossing as the key research context, focusing on issues such as institutional and cultural distance, and liabilities of foreignness (e.g. Dunning, 1998; 2009; Johanson & Vahlne, 1977; Zaheer, 1995). These perspectives on firm's internationalization ignore subnational spatial heterogeneity within a country. This heterogeneity can be captured at the firm level, as firm specific advantages (Rugman & Verbeke, 2001), however, spatial variation in IB is often presented, analyzed and measured as a multidimensional, country-level construct (Beugelsdijk, 2011). Buckley et. al. (2007) study internationalization decisions using experiments. Their results show that context is a core factor, and based on this finding they argue that context deserves a more prominent focus, particularly in complex decisions such as internationalization of the firm.

With this study we aim to bring context into internationalization decisions, particularly the role of context related to local clusters in the home country. Admittedly, both national country factors and firm specific advantages are important antecedents of decisions to enter, change modes, or leave a foreign country, however, we are particularly interested in the lesser-studied regional, cluster factors that may stimulate or prevent a firm from taking

internationalization decisions. We see our study as an attempt to explore into the role of clusters in these decisions. Panel or survey data fail to give insight into each decision and explore the motivation behind the decision. We rely on 60 interviews with firms representing various activities in the marine industry, representing vital parts of one marine cluster on the western coast of Norway. The main question we address is to what extend firms in strong clusters use other cluster-firms experiences as motivations for internationalization. Based on this we contribute to the newer research perspectives integrating IB and economic geography (e.g. Beugelsdijk & Mudambi, 2013), the within-country factors motivating internationalization (Chen et. al., 2010), and modify theories of internationalization (Johanson & Vahlne, 1977; 2003; 2009).

THEORETICAL BACKGROUND

The role of regions and their links to international business is well established. Rugman and Verbeke (2004) found, for example, that most Fortune 500 firms are regional, not global, arguing that distance and location strongly influence the performance of MNCs. Cantwell, Dunning, and Lundan (2010) suggest that international entrepreneurship will take place in subsidiaries strongly embedded in local networks and institutions, suggesting that the variation between local environments will form the basis for the creation of new ventures. Distance is a multifaceted construct, including cultural, administrational, geographical and economical differences (e.g. Ghemawat, 2001), and the manner in which these differences are inserted into relations, behavior and outcomes influence economic outcomes (Dicken & Malmberg, 2001).

Krugman's seminal study addresses economic clusters (1991). He identified increasing returns to scale as manufacturing is co-located with demand. Consequently, firms and customers tend to co-locate forming strong vertical links. He further argued that clusters tend to be stronger with higher cost of transportation and size. Dicken and Malmberg (2001) see

clusters within a territorial economy framework, where firms and their contexts interlink. Within the varying frameworks under this umbrella, clusters are characterized as functional, as they focus on economic transactions, but less concerned with the notion of space. Porter (1990) developed the "diamond framework" of clusters to specify the antecedent factors and their interrelations. A strong cluster contains world-class resources and supplying industries, demanding customers and institutions conducive to innovations and growth. Strong factors interrelate and produce knowledge spillovers benefitting all actors within the cluster. Joint actions such as collaborative initiatives stimulated by cluster actors may increase cluster benefits (Gutiérrez-Martínez et al., 2015)**.** If diamond cluster factors are weak, we cannot really claim benefits of geographic co-location. Since we in this study look at firms' decisions over a time period of 30 years, this paper also draws upon literature on the dynamic development of clusters which shows that the character of cluster changes over time, potentially affecting firms's motivations in a different way over time (e.g. Suire & Vincent, 2009; Menzel & Forhnal, 2010; Martin & Sunley, 2011; Elona et. al., 2012).

Cluster advocates have pointed to benefits of being located within a strong cluster as mainly knowledge and competition based (see e.g. Porter 1990 for an overview). Regions often have their own cultural values (Beugelsdijk et al., 2015) and culture may influence social mechanisms such as trust, and the formation of local networks (Tung, 2008). Sub-national institutions form routines of economic behavior that are path dependent, rooted in local culture, and difficult to transfer to other clusters (Storper, 1995). Thus, informal frameworks shape acceptable behavior and investment decisions (Meyer & Ngyuen, 2005). Geographical proximity, similar cultural values and trust will again facilitate the transfer of contextual and rich, and often tacit, information (Cantwell and Santangelo, 2009). These rich information flows from demanding customers and suppliers push firms to stay ahead and innovate. Consequently,

those firms that are embedded in a cluster with strong actors, should have competitive advantages through timely, correct, and rich information.

The internationalization of firms has effected the cluster in different ways, for example by establishing linkages for knowledge transfer between firms in a global value chain (Schmitz, 2004), and intra-firms linkages within multinational corporations (MNC) (Hervás-Oliver & Albors-Garrigós, 2008). MNCs can be conceptualized as institutions that control a 'network of global flows of information, capital and people' (Mahnke & Pedersen, 2004: 11). Thereby they potentially play a role in linking local and global knowledge sources within a cluster (Leibovitz, 2004). Within the economic geography stream of literature these linkages are studied within the framework of global pipelines for knowledge transfer (Bathelt et. al., 2004).

Until quite recently location decisions received relatively little scholarly attention (Buckley et. al., 2007). We know the outcome of such decisions, but less on the motivations that trigger firms to internationalize in the first place, and later modify or withdraw their decisions (Devinney, Midgley, & Venaik, 2003). In an experimental study, Buckley et.al. (2007) showed that several factors influence managerial decision-making concerning FDI investments, for example firm factors such as operational issues, and individual characteristics such as experience. They also argue that country factors, such as language, entered into the decision in later stages when the decision was to be formalized. They did not however consider the influence of local networks embedded within regional clusters. Given that regional characteristics affect foreign operations for a single firm (Chan et. al. 2010) it seems reasonable that regional factors (such as the cluster) also influence firm level decisions.

Internationalization decisions are complex and risky (Zaheer, 1995). The firm will enter a new environment with unknown competitive and institutional factors. It is therefore vital to reduce as much of this uncertainty a priori as possible before the firm takes the actual decision. When a firm makes decisions, it will need to collect information, and local collaboration

partners and networks seem a likely avenue for initial search. Firms base their internationalization decisions on prior experience, and the Uppsala model suggests that the internationalization process of a single firm is gradual based on its cumulative learning (see Johanson & Vahlne, 1977). Based on this observation Johanson & Vahlne suggest that firms tend to make early entry in countries that are close in psychic distance (1977). Alternatively, strong networks may replace the distance dimension (2003). The Uppsala model assumes that the learning takes place within the firm, and previous studies have argued that intra-firm knowledge generation and learning is richer and deeper than inter-firm knowledge transfer is (Almeida, Song & Grant, 2002). In clusters characterized by strong collaborative ties, we suggest that these ties also can transfer rich and contextual information, such as internationalization experience. Consequently, a firm does not have solely to rely on own direct experiences, but is influenced on the advice and experiences of others, and as such the cluster may have a more influential role on firms decisions than previously expected. An additional supporting argument is given in the individual movements in strong clusters, as experienced decision-makers in same cluster firms are more likely to be known and recruited by firms in strong clusters. In this respect, our paper draws upon economic geography research characterizing clusters as strong 'learning regions' (Asheim, 1996) transferring rich, contextual and timely knowledge between member firms that may replace such internal knowledge generation.

METHODS

Case studies are an appropriate research approach when the question under scrutiny is a "how" or a "why" question (Yin 1984). The study focuses on explaining the "how" of an organizational process, and a case study methodology using several sources of evidence is the appropriate research approach. We are interested in understanding whether and how location in a cluster

affect internationalization motivations, and as such we value the ability to explore various avenues for a firm's decision-making, which is best done in an interview supported by written documents where motives for internationalization decisions are expressed, like annual report and press releases .

Our main data source is 60 in-depth interviews. These interviews were undertaken as part of a research project in the maritime sector that lasted three years. Qualitative interviews are well suited to tap into the organizational members' accounts and interpretations (Maitlis, 2005). Some managers were interviewed several times, and in some companies we talked to more than one manager. The interviews focused on decisions to internationalize and implications of these decisions, such as strategic or organizational changes resulting from these decisions. Each interview lasted about 1,5 hours and was recorded and transcribed in verbatim. In addition, we have collected archival data, such as internal company documents, press-releases and annual reports. We also held several workshops with some of the firms where we had the opportunity to discuss incidents more in detail. We wanted to be open towards the views and experiences of each respondent, and allow each person to use their own narratives to describe the decision process and the outcomes of the decisions.

Based on our interview transcripts and secondary material, we identified the single decision as our unit of analysis. We have identified 33 internationalization decisions from our interviews. These decisions concern entry into a new market, selection of entry modes, changing entry modes, and exit from a market. Each of these decisions are then categorized by their motives. By cluster-motives we refer to any kind of motive that explicitly refers to specific actors in the cluster, or to the cluster in general. Non-cluster motives are firm-specific motives (e.g. decisions that refer to a new international strategy) or market-specific motives (e.g. get access to a new market). Many decisions have multiple motives (Benito, 2015). Although we were particularly interested in the role of the cluster, we carefully identified country level, and

firm specific factors that also influenced these decisions. Our analysis followed a process where we tacked back and forth between theory and our data to try to understand what motivated these decisions, and the role of the cluster in these. Next, we give some more background on the region we are interested in, and the elements of the cluster. Thereafter, we present our analysis and findings.

THE MARITIM INDUSTRY CLUSTER IN WESTERN NORWAY

The maritime industry cluster is located in the county Møre & Romsdal on the western coast of Norway. This region has a several hundred years history of fish export (Døssland & Løseth 2006). To support fisheries, the region developed a maritime industry including yards and mechanical shops in the 19th century. In the 1960s this industry had emerged into a complete cluster with yards, producers of engines, propellers, winches, and other equipment, local supporting institutions, and demanding customers represented by the local fishing fleet (Andersen, 2001). From the 1970s onwards the cluster transformed into the most important maritime industry region in Norway by extending its market to the oil and gas sector by producing offshore vessels. This is also the period when firms gradually became more international. In a recent study of all Norwegian clusters this cluster is characterized as one of the country's strongest, most complete and most international, regardless of industries (Reve & Sasson, 2012). In 2013 the cluster organization NCE Maritime (The National Maritime Center of Excellence) was one of twelve cluster organizations in Norway that were upgraded to a status of a Global Center of Excellence.

The cluster is a complete cluster in the way that all parts of the value chain in the maritime industry are strongly represented in the cluster, which is shown in table 1:

< Table 1 here >

The first phase of the internationalization of the maritime industry cluster began in the 1950s when two yards began to export fishing boats to the Faroe Islands and Iceland (Grytten, Opdahl, & Eide, 1992). In the early 1970s a producer of hydraulic winches established a subsidiary in Spain (Hatlehol, 1991), and in the 1980s the USSR, Canada, USA, and several EU countries became important export markets of trawlers based on local design (Bjarnar, Berge, & Melle, 2006). Local design became a trademark for local production of offshore supply vessels (OSV) that speeded up the internationalization process in the 1990s.

The second phase of internationalization started around 2000. This phase differed from the first in two ways. First, foreign MNCs started to become attracted to the knowledge of local cluster firms, and in 1998 the British MNC Vickers acquired the local company Ulstein, which at that time was the largest local designer and producer of ships and equipment in the cluster. After three months, Vickers sold Ulstein to Rolls Royce, another British MNC. Secondly, Rolls Royce and as well as a variety of local firms speeded up their international investments, and several firms in the cluster became MNCs, with gradually increasing FDI portfolios. In the second phase, the cluster transformed from a local to an international oriented cluster. This transformation was characterized by a shift in the focus from local to international both in production and services. The high degree of internationalization of the cluster is illustrated by the fact that the out of the 20 counties in Norway, Møre & Romsdal is the county with highest export per capita (Menon, 2012). The high degree of internationalization is also shown by the fact that many of the member firms have become MNCs. One indication of the extent of internationalization of the cluster is given by its presence in Shanghai, China. Shanghai is a global hub for maritime firms. In 2012, the maritime industry in Norway was represented in Shanghai with eight firms within the equipment industry, three design companies, and one yard.

Our study is represented with 10 firms from this cluster. These firms represent all parts of the value chain in the cluster (see table 2).

< Table 2 here >

Three of these firms are fully integrated and are represented in more than one part of the value chain. Two of the integrated firms have foreign owners, one of them with headquarters in the cluster, the other with the global headquarters abroad, but with strong division headquarter functions in the cluster. They both entered the cluster around 2000 through acquiring local firms that were strongly embedded in the cluster. One of the consulting firms in our study is a result of a foreign firm that established a greenfield subsidiary in 2011, and that exited in 2014. The other firms are local firms with local owners. Their founding dates vary between 1917 and 1986.

DATA ANALYSIS

The main source of our study are our interviews, and as we analysed the data, we realized that our interviewees may not have covered all the motives, but focused on the motives that to them was most salient, and therefore perceived as most important. To get a full account on all motives in the decision, we would need another research method covering the entire decision process with all actors participating in the decision. As we, for most of the decisions, had do rely on one decision maker reflecting on the decision in hindsight, we can report on the most important motives, as they are seen from one respondents perspective.

The chosen decisions were made between the late 1980s and 2013. Ten of them were taken before 2000, and 23 from 2000 and onwards, which reflect the historical development of the speed and depth of the internationalization of this cluster. As shown from table 3, a majority of the 33 cases are decisions on starting export through an agent (9), establishing a sales office (5), or entering another country by establishing a wholly owned greenfield operation (8). This means that most of the cases represent an early step into a firm internationalization process.

This is a phase where the firm has limited internationalization experience, and is in more direct need of input from others. As such, it is interesting to learn about the potential role of the cluster as one of the sources for this information.

< Table 3 here >

In nine out of the 33 decisions, our analysis shows that cluster-motives did not play any major role for the internationalization decision in nine cases. Motives for these decisions were given as firm-specific motives (decisions that refer to a new international strategy) or market-specific motives (get access to a new market). For the remaining 24 decisions, we identified motives connected to the firm's localization in a regional cluster. We can group these motives into four major categories, and we depict these in table 4:

< Table 4 here >

Four decisions were motivated by a wish to take advantage of strong supplier-customer networks by following a customer that they had long term relations with in the cluster. One example is given by a firm that decided to enter the Chinese market. '*We are careful about internationalization, but when one of our main customers asks us: "Do you want to follow us", we have to do it*." This company then established in China to serve their local customers, and the company had two cluster firms in China that made up the bulk of their business in China. Over time, however, the Chinese subsidiaries of these two customers began to purchase from Chinese suppliers. The local subsidiaries, when they were given higher autonomy, chose to purchase from Chinese purchasers with local networks. As a reaction to this development, the small, Norwegian cluster firm decided to withdraw from China: "*We wanted to follow our best customers and serve them with high quality. We didn't want new customers."* The firm saw

themselves as too small to be able to compete in the Chinese market, and without their cluster connections, they had no business in China.

In another case, one of the cluster firms that relied on local suppliers, said that they invited suppliers to join them in Brazil to help them get introduced to potential Brazilian customers. *"It is very difficult to go alone. It is very important for the small ones to join us to Brazil and talk. We go to fairs in Brazil. We meet a customers and we talk to them together with the supplier. They exchange business cards and the small ones are introduced."* This was a situation where a local firm specifically tried to aid a smaller supplier to establish in Brazil. For the larger firm this was a win, as they could rely on a quality supplier from home in a new market, like Brazil. As they could not provide the supplier with sufficient business, however, they tried to help the supplier to establish in Brazil on their own.

In four cases, a cluster firm was motivated to internationalize by firms that were not in any direct business relationship. They were just in the same industry and took advantage of the fact that they knew each other from the cluster. When one firm established in Estonia in 2011, top management said they were attracted by the fact that several other cluster-members had co-located in one Estonian industrial park. The pioneer establishment happened in the late 1990s, and this company had found this establishment quite successful and made an investments in a production facility at this industrial park. As our interviewee explained: *"When several Norwegian firms in the advanced maritime industry cluster in Sunnmøre collectively searched for an attractive place to outsource production in the late 1990s, good rumors about the pioneer had reached Norway."* These experiences from these companies motivated the cluster company to follow more than ten years later, and they did it together with a non-competing firm from the same municipality in their cluster. When they also decided to invest in Vietnam, they built a unit in Vietnam together with the same non-competing firm that they had joint forces with in Estonia: *"We strongly believe in this model of cooperation when internationalizing".*

In other cases the motive for deciding to internationalize were inspired by actions taken by competitors from the cluster. One company, for example, acquired a design company in the Netherlands, and their main motive was to expand in order to prevent unfortunate changes in the balance between the actors in the cluster*: "The first and most important one (motive) was that we witnessed how several of our most important customers moved upwards in the value chain"*. They were afraid that some of their customers from the cluster would expand forward in the value chain and become competitors, and that making a new internationalization step would deter them from doing so. This leads us to the following proposition:

P1: In strong regional clusters, firms are motivated to internationalize through their co-location with other firms in the cluster, through direct and indirect business relationships.

With the exception of one firm, which primarily produced for export since 1986, the other firms in our sample grew primarily with a focus on the domestic market, and internationalized gradually, some already from the 1960s. In the first phase of internationalization there were few perceptions within the industrial region as being one clearly defined cluster. We observe, however, that some of the first movers had a meta-perspective of cluster relations by referring to close relationships to actors in local and national marine industries as motives for internationalization decisions. This references could be both to specific ship-owners and/or a more undefined milieu of firms within the broader group of ocean activities. This was, for example, the case in Brazil. In the 1980s Brazil emerged as an attractive market for the maritime industry with strong growth both in shipping and the shipbuilding industry. This attracted foreign investors, including some actors from the Norwegian maritime industry cluster. In our interviews, the decisions to enter Brazil did not come from specific firms

in the cluster, but from a general sentiment within the cluster, generated by Norwegian shipping companies that were involved in shipping to and from Brazil with offices in Rio. Local firms were then attracted by what they heard and found existing networks attractive. The internationalization was also stimulated by an interest from Brazilian actors: *"Our first vessels came to Brazilian ports in the mid-1980s, and they got a good reputation. Then, the Brazilians came to us in Norway because they experienced that the vessels functioned very well."* In the collective narratives about the pioneers that entered the Brazilian market from the 1980s, the importance of the meeting with the local network of Norwegian shipping companies and local agents are frequently told when veterans talk about the early phase of internationalization.

Often decisions to internationalize were motivated by references to the cluster in general, as an agglomeration of an unspecified number of actors with a shared vision and knowledge. Nine of our decisions were of this kind. One informant told us that when he was asked if they used information from other cluster-member firms when they decided to invest in Brazil: *"Yes, but not deliberately. You know, we meet people and talk to people, so information flows well in such environments".* In another case a shipping company (fishing) entered the US in the late 1980s and decided to organize the work onboard the vessels according to the routines in the home-cluster, due to its qualities: *"He actually brought with him the cooperative approach characterizing the fisheries in the cluster."* In a third case a firm has decided not to invest in production units abroad, but have export strategy, because they see what they define as cluster production culture as a competitive advantage.

The feeling of belongingness to a cluster of members with shared visions and strong ties is also expressed in informal non-contractual agreements when deciding on internationalization. For example, when the pioneers decided to enter Brazil in the 1980s, they acted jointly based on informal agreements: *"A vision or idea was developed horizontally among shipping companies, shipyards and equipment producers. A prototype was developed. This was a process*

foregoing any contract, where actors took risks trusting the networking capacity". What we see is an emerging collective accumulation of experiences that act as a source for firms' decision when they lack international experiences. This leads to the following proposition:

> *P2: In strong regional clusters collectively shared experiences on internationalization act as a motive for firms decisions.*

In Brazil the 1980s was characterized by the emergence of an informal network between Norwegian ship owners that had been in Brazil for a long time, representatives from the firms that just had entered, and Brazilian agents that worked actively to expand the local maritime activity by inviting new actors in. For one company these networks were decisive for decisions to start exporting through agents, and to consider establishing a subsidiary: *"I was the first man from our firm who visited Brazil in 1984-1985. Then we considered establishing a unit, but it did not happen before later"*. The informal networks between shipping companies and local agents created the foundation for emerging formal intermediate organizations. One of our interviewees was a Brazilian agent firm, established in 2003 by Brazilians springing out of these informal networks after a visit from cluster members that wanted to enter the market. Eight non-competing firms found the Brazilian agent services so interesting that they decided to enter the Brazilian market through this agent. The employees in the agent bureau regard themselves partly as local, and partly as members of the Norwegian cluster, e.g. by having multiple business cards; *"We represent everybody. We try to be the shipyard turnkey, like I can offer the thruster, I can offer everything"*. Through frequent contacts, including visits to the cluster, their actions have shaped some of the firms' decisions to internationalize and their actions in the new market. For example, one producer of maritime equipment decided to expand to the inland market in Brazil with its product. This decision was pushed by an invitation from an agent recruited by

this agency bureau. The CEO of the agency said that the CEO from the Norwegian cluster firm visited Rio, and they meet one interesting man at a fair: "*So we started to talk and to be friends. And then he knew a guy that works with a platform that needed some products, some units. And then he called me and asked if he could start to prospect some business with this guy, I said of course".*

In China the first movers from the cluster established already in 1983 together with some other Norwegian maritime industry firms as a group of 17 companies, with the purpose of increasing export from Norway to China. One of this group's missions was to help newcomers find their own agents. "*We got an agent through the group",* said one of our interviewees. The organization also gave the firms face, provided language services, and facilitated the entry process. *"When a firm with good reputation cooperates with a colorless firm, the colorless gets color".* The existence of this network as well as financial support from the Norwegian Government were motives for one firm to expand from the maritime sector to the Chinese inland market with their product. *"That, actually, pushed us to establish this unit in Ningbo"*. In our sample eight decisions were motivated by cluster facilitated intermediaries. This leads to the following propositions:

> *P3: Intermediaries and other institutional arrangements set up by representatives from the home cluster in the host country motivates firms in regional clusters to internationalize.*

All of the firms in our sample have entered multiple foreign markets, either by foreign direct investments, export agents or a combination. Eight out of ten companies have made FDI or are presented by an agent or sales office in more than ten countries. Most markets are in countries with a strong offshore and/or shipbuilding industry. For example, seven of the ten

companies are represented both in Brazil and China. We observe from our interviews that smaller suppliers of equipment and services tend to refer to cluster-related motives also when investing in the second and third market. Especially one company has not only entered several countries, but also internationalized deeper into the same country by making internationalization decisions on entry, expansion, exits, and changing operation modes within one country. They are one of three integrated lead-firm to which some of the other cluster supplier firms have a supplier-customer relation to. According to their investments in China cluster-related motives get less and less important as a reference for decisions. For instance, they exited from design since they did not manage to develop local competence: *"We didn't manage to run the office since we did not manage to develop the competence."* Their decision to replace the first joint venture that was set up in China to develop a shipyard with a strategic alliance policy, was not motivated by a cluster location, but by a new corporate strategy that favoured alliances, not only in China, but in Brazil and serval other location. This leads to the following proposition:

P4: Cluster motives get less important the more firms internationalize.

DISCUSSION AND CONCLUSION

The analysis of the motives for 33 decisions on internationalization in the maritime industry cluster on the west coast of Norway show that firms in a strong cluster take advantage of their cluster membership when making internationalization decisions. This observation is in line with the literature that define clusters as regional learning networks (Asheim, 1996), as we regard motivation arguments as expressions of learning from other firms' experiences within a cluster. This perspective identifies network learning from the localization in a cluster, and as such we show that in addition to company and national level factors, regional networks are strong motivators for internationalization decisions.

In the IB literature, the Uppsala-tradition has focused on the impact of learning on internationalization processes (Johanson & Vahlne, 1997). According to the revised Uppsala-model firms' networks may replace closeness in physic distance as a parameter for tracing the geographical entry pattern (Johanson &Vahlne, 2003). They suggest that previously established relationships have impact on entry modes. Consequently, the role of networks is not new, but the role of clusters beyond networks is. The analysis of the 33 internationalization decisions shows that when analyzing the motives, we open the door to the complexity of what a cluster is. First, we show in line with the conventional knowledge that the relationship between defined actors in the cluster, whether they represent direct or non-direct business relationships motivate internationalization. In our cases distinctively defined customers, suppliers, competitors, as well as other co-located firms acted as motivators for decisions on internationalization. Secondly, the cluster is perceived as an agglomerated entity that represents more than the sum of all actors. This meta-dimension of a cluster is expressed in how the cluster accumulates shared knowledge (Asheim, 1997; Hervas-Oliver & Albors-Garrigos, 2008), how the share values (Bell & Deng, 2013), and culture (Tödling et al. 2013; Beugelsdijk et al., 2015), and how they develop informal governance mechanism (Bellandi & Caloffi, 2008). In our case this dimension of a cluster is expressed in a relative strong tendency to refer to the cluster as an overall concept rather than to single actors as motivators for decisions on internationalization. Thirdly, we have to rethink the perception of the border of a cluster. As seen from this study, clusters form satellites in foreign markets expressed as intermediaries that also act as motivators. These intermediaries represent both cluster members and key local actors in the market, and contribute to connect cluster firms to actors in global production networks (Mackinnon, 2012). Finally, our findings support the attempts to develop a dynamic understanding of clusters. The data shows that time has impact on how cluster motives are used in internationalization decisions as they seem to have reduced impact the more firms are internationalized. In the same

way we suggest that not only changes at the firm level matter in this respect, but also that the dynamic development of clusters may have an impact on the cluster as motivator for internationalization decisions. We suggest this as a topic for further research.

By showing how the experiences from the cluster in multiple ways are used by when firms in a strong cluster make decisions on internationalization, we suggest that cluster-experiences may act as a substitute to firms' experiences in internationalization processes. The other contribution of the paper is that it add new knowledge to how firms' motivate their decisions on internationalization.

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Table 1: Overview of the Maritime Cluster

	Total	Producer of equipment and services	Design consultant	Yards	Shipping companies
Firms (No.)	213	165	15	14	19
Turnover Mill EURO	6655	2550	130	1750	2225
Man-labour year	22546	8384	489	3995	9678

Hervik et al. 2012; 1 EURO = NOK 7,50 (2012)

Table 2: Selection of companies in the study

	Total	Producer of equipment and services	Design and consultants	Yards	Shipping companies
Firms (No.)	213	165	15	14	19
Interviewed firms	10	7	3	2	1
No of decisions on internationalization	33	18	10	6	1

Table 3. The content of 33 internationalization decisions

Export trough agent	9
Export and sales office	5
Establish wholly-owned greenfield	8
Establish a Joint venture	1
Perform Acquisitions	3
Enter Strategic alliances	2
Diversify to new activities	1
Demerger	1
Offshoring	1
Exit from a market	2
Total	***33***

Table 4. Motives for 24 internationalization decisions

	Follow the customer	***Motivated by other cluster firms than customers or suppliers***	***Motivated by the cluster in general***	***Intermediaries in the host country***
	3	4	9	8