Knowledge and Innovation Strategies in Global Competition: Insights from New Zealand Multinationals in Europe

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The paper develops a novel typology of global knowledge and innovation strategies. It focuses on New Zealand-European Union (EU) business relations, particularly knowledge and innovation links of New Zealand firms in Europe. Four case studies of New Zealand firms operating in Europe are used to develop a typology of four global strategies depending on the strength of the firm's global knowledge and innovation links, and its strategic position in global competition (localized versus globalized). The paper offers implications for global knowledge and innovation management, particularly by firms from small, open economies distant from the economic centres in the Northern Hemisphere.

Keywords: knowledge and innovation links, position in global competition, global innovation strategy

INTRODUCTION

This paper situates knowledge and innovation links within bilateral trading relationships to understand the potential for strategic positions in global competition (Grøgaard et al., 2022). The purpose of the paper is to investigate the knowledge and innovation links that make up potential strategic connections between firms within geographically distant states or regions. This allows us to understand the nature of and barriers to trade and investment by firms from a small, open economy (SMOPEC) (Luostarinen and Bellak, 1993) like New Zealand, in larger, distant markets such as the European Union (EU). While existing research has analysed MNE knowledge sourcing, sharing and creation in SMOPECs (Ingršt & Zámborský, 2021; Scott-Kennel & Saittakari, 2020) and in other contexts (Zámborský, Ingršt, & Bhandari, 2023), this study aims to explain how SMOPEC MNEs strategize to combine unique knowledge and innovation strategies in relation to distinct positions in global competition. We develop a novel typology within which to analyze and explain how firms from SMOPECs craft positions in global competition to form knowledge and innovation links abroad.

The paper also connects to research on the regionalization of firms and their strategies, which focused on the Triad regions and stressed regional nature of most MNEs and their strategies (Rugman & Verbeke, 2004; Verbeke, Oh, & Jain, 2025). That stream of research focuses on the strategic implications of regional economic integration and does not account sufficiently for other forms of economic integration such as free trade agreements (e.g., the one recently completed between the EU and New Zealand). The intersection of trade policy (changing geographic scope of FTAs) and global strategy (types and strength of international

business links and the types of positions in global competition), has not been studied sufficiently (Rugman & Verbeke, 2017; Singh, Chand, Gounder, & Paul, 2018). The congruence between the theory of regional multinationals (Rugman & Verbeke, 2005) and global innovation and knowledge links has also been largely unexplored (Kim, Lampert, & Roy, 2020). To address the identified research gaps, our study focuses on the following research question: *How can knowledge and innovation links help to build positions for firms in global competition?*

Our paper is set out as follows. First, we provide background and review relevant literature and theory. Then we describe our method and context, followed by a presentation of the findings and the development of our novel typology. Finally, we discuss significance of our contribution and conclude.

BACKGROUND AND LITERATURE REVIEW

In a global context, Huggins et al. (2007) analyzed knowledge and R&D FDI flows and suggested that the global nature of FDI in knowledge and innovation-intensive activities is changing. North America was the source of one-half of all R&D FDI between 2002 and 2005, and Asia-Pacific, especially China and India, was the most important destination for most R&D FDI, accounting for more than one-half of all investment and almost three-quarters of the jobs created (Huggins et al., 2007). However, more recent research such as Hervas et al. (2014) was less sceptical about Europe as an R&D destination, pointing to the fact that the EU accounted for 22% of global R&D projects compared with 41% for the BRICs (Brazil, Russia, India, China) countries in 2003-12. In 2003-2017, Europe accounted for about 35% of global greenfield R&D FDI (with Asia's share at 45%) according to fDi Markets. In 2023, the EU companies' share in total global private R&D investment was about 19%, with the US accounting for 42%, China for 17% and Japan 8% (European Commission, 2024).

Knowledge and innovation links between firms were investigated in the European context by Tödtling, Lehner, & Trippl (2007), who focused on the innovation process, the mechanisms of knowledge exchange and the respective linkages in the knowledge intensive industries. Specifically, they developed a typology of innovation interactions to examine the character of the innovation process and the type of knowledge interactions in those industries (static vs dynamic and formal/trade vs informal/untraded relations), to find out how strongly these are related to regional, national and international innovation systems. In a related study, Cappellin (2004) discussed possible approaches to analyze the mechanisms which operate at the international/interregional level and lead to higher forms of integration of industrial and service firms' knowledge and innovation networks. He pointed to a need to develop policy strategies in support of institutions that create and transfer knowledge on an EU scale. In the Asia-Pacific context, the institution-based view was employed by Lu, Tsang, & Peng (2008) to analyze knowledge and innovation links. Lu et al. (2008) argue that the institutional environment in the Asia-Pacific region plays a multi-faceted role behind firms' knowledge management and innovation strategy. Specifically, institutions impose rules for legitimacy, serve as a source of knowledge, and affect allocation of incentives and resources for innovation.

The literature review helped us to identify relevant concepts linking knowledge and business strategies. However, from a strategic perspective, it is important to consider how business strategy depends on both the nature of global business links, such as knowledge and innovation links and related knowledge spillovers (Jacobs et al., 2017; Zámborský & Jacobs, 2016), and the types of global position it can adopt, in particular regarding standardized (global) vs localized position (Bartlett & Ghoshal, 1989; Grøgaard et al., 2022). A standardized practice implies a position of foreignness adopted by the firm, and a localized practice suggests that the firm leans toward a responsiveness position upon its market entry (Regnér & Edman, 2014). These global positions are also underpinned by the regional versus global nature of a firm's strategy (Rugman & Verbeke, 2004) as it develops capabilities to compete in uncertain global markets (Zámborský, 2021). Overall, we ground our study in both knowledge-based perspectives (Scott-Kennel & Saittakari, 2020; Sheng & Hartmann, 2019) and institutional perspectives (Lu et al., 2008; Regnér & Edman, 2014) on global innovation strategy, stressing both the importance of knowledge and innovation links and the global positions firms take.

RESEARCH METHODOLOGY AND CONTEXT

To study our research question, we identified four case studies of New Zealand firms doing business in the European Union, with a focus on firms with knowledge and innovation links in the EU. We conducted four semi-structured interviews with senior managers of these firms in 2016-18 and gathered secondary data to complement and triangulate the exploratory pilot survey data initially collected about the EU-NZ links (Nielsen et al., 2020). The data were analysed by developing codes and categories (Miles & Huberman, 1994). Analysis of interview transcripts, field notes, and secondary data was used to develop categories, which were then built up into themes.

The EU was selected as the context as it remains one of New Zealand's key markets for goods and high-value added products and services - for which it is NZ's second largest export market after Australia (Statistics New Zealand, 2018). The EU is also NZ's second largest Foreign Direct Investment (FDI) partner, both in terms of the stock and inward-outward flows of FDI (Statistics New Zealand, 2018). We analyzed New Zealand-EU business relations within this context of the policy and business case for a proposed (and since 2018 negotiated) EU-New Zealand FTA (European Commission, 2015; MFAT, 2020), which entered into force in 2024. In the following section, we present our findings, including within-case presentation and analysis and across-case comparison.

FINDINGS

Presentation of Case Studies

To investigate in more depth the knowledge and innovation links between New Zealand and EU firms and their implications for position in global competition, we conducted four interviews with managers of New Zealand firms with knowledge and innovation links in the EU. The four case studies are presented in Table 1. The findings of each case study are explained in this section by focusing first on the general context of business links between New Zealand and EU firms (and their link to policy including FTAs). Then in the next section on case comparison we focus on our main research question: *How can knowledge and innovation links help to build positions for firms in global competition?*

Firm A

Firm A dates back to the 1980s, producing solutions for handling produce in the fruit industry. It is one of global market leaders, present in over 40 countries. The firm formerly had a joint venture in Italy, but had bad experience linked to the lack of control over Italian operations. After terminating the JV, it acquired a Spanish firm and had a strategic plan to grow its Spanish subsidiary from single digits to 20% of R&D and 40% of global turnover.

In terms of the problems encountered by this firm in the EU market, the firm's New Zealand-based R&D manager said:

> *North-American market prefers better quality and is willing to pay for it - this is not the case in Europe and Australia, where they look for savings, and there is strong French competitor - today No.1 [in our industry].* (R&D Manager, Firm A)

The respondent also mentioned that in his view the EU law was too difficult, culture in the US was relatively closer to New Zealand culture (and the US was also closer to NZ in terms of geography). On the other hand, the benefits of operating in the EU included flexibility (the manager mentioned that Spain would also produce New Zealand product range, as it was more flexible and there were lower transport costs and delivery times when the product was manufactured in the EU). Access to EU research funding and R&D capabilities in the EU were also mentioned by the R&D manager.

In terms of the relationship between New Zealand-EU business links and (trade) policy, the respondent said that personnel issues were important (such as EU's work permit and immigration policy), as the company moved three key New Zealand staff to Spain.

Firm B

Firm B was founded in the 1960s, and designs and manufactures frequency control devices. It has six manufacturing plants globally and eight R&D centres. The French and UK R&D centres are key innovation hubs of the firm. The European subsidiaries operate in low-volume, sophisticated high-tech products for government clients, while the New Zealand operations produce high-volume products for the telecommunications industry.

In terms of the problems encountered by this firm in the EU market, one of the firm's New Zealand-based innovation engineers (who worked previously in the EU but is now in the New Zealand HQ), said the time zone differences between the subsidiary and parent firms made communication difficult, but managers and company could live with it and it was not a major barrier to doing business in Europe. There are annual in-person company conferences and regular online meetings, with strategy coordinated between the HQ and the subsidiaries.

As the EU subsidiaries are in a somewhat different segment than the New Zealand operations, there is a high degree of subsidiary autonomy. The innovation engineer said:

> *Product development is very costly and time consuming. It takes total of 3-4 years to go through design, theory, documentation, prototype testing, trial testing. The EU subsidiaries do product development largely independently from the HQ. (Senior Innovation Engineer, Firm B)*

In terms of the relationship between New Zealand-EU links and policy, the company had a strategic aim to build on the success of their EU subsidiaries (and their links to EU R&D funding) to leverage new product and platform developments in Europe to develop a global market position by expanding beyond well-established European markets in space and defence industries. The manager noted that the company was more successful in building a globally-relevant presence in the EU compared to their failed joint venture in China, where the JV partner was unable to follow agreed quality requirements for a key client and the project was lost. There were also larger cultural differences with China compared to the EU.

Firm C

This firm was established in the 1930s and is a family business exporting majority of its products to Australia, the US, and Europe. It manufactures and designs animal management and security systems. It has over 100 R&D staff, mostly in the New Zealand HQ. The firm has many partnerships globally though, some of which have lasted more than 35 years. Europe is an important, growing but arguably not a primary market for this firm.

In terms of some of the challenges related to the EU market, the firm's R&D manager said:

> *The North America market is much more homogenous than the European market for instance. Dispute the fact that we've got a European Union you're still dealing with different companies, different languages, different regulation. North America is a homogenous market whereas Europe definitely isn't*. (R&D Manager, Firm C)

The manager expanded on this issue of a relatively large diversity seen in Europe, which he saw as potentially costly (in terms of required product adaptation/localization):

> *You see that reflected in language, in cultures, in regulations, in practices, in so many different ways. In preferences like for instance in northern parts of Europe animals will be housed indoors all year round. Whereas in other parts of Europe they might be like in the Alps they will be grazing in the Alps during the summer.* (R&D Manager, Firm C)

The firm partially acquired a Netherlands-based distributor, and the interviewed manager commented on the reasons for establishing local links and collaborations:

> *Again, in order to as a New Zealand business, in order to establish yourself in market the quickest way to get yourself established is to collaborate and work with somebody who deeply understands that market.* (R&D Manager, Firm C)

Finally, the respondent commented on the importance of collaborating with European suppliers:

> *Occasionally when we introduce a new product or process or overcome a process issue in the factory, we might engage a supplier to help us solve a particular problem. Again, if the technology is fairly new, or if it's a capability that we don't have internally we might engage more deeply with a supplier.* (R&D Manager, Firm C)

Firm D

Firm D is a major New Zealand publicly listed corporation, manufacturing, designing and marketing products and systems in the medical devices sector. It has sales in over 120 countries but focuses on the US market as a major source of revenue. The firm's manufacturing is in New Zealand and Mexico, and R&D is done almost exclusively in the NZ HQ. However, the firm also has selective (innovation) collaborations in the US and EU.

For example, the firm is building number of links to key experts and hospitals in the EU. The firm's New Zealand-based marketing manager, said:

> *In France we've got two studies going right now which is one of the multi-site studies that we work with… And we build relationships with the key opinion leaders. So if they moved we follow them. It's not the hospital themselves that's providing innovation, it's the doctor.* (Marketing Manager, Firm D)

The respondent noted though that there were some differences in how innovation is viewed in Europe compared to New Zealand:

> *When you are in New Zealand you are in the bottom of the world, and so if you want to innovate you think about innovating for the world. I think in Europe when they innovate, especially in some of the area we're in healthcare, they don't think about their innovation and taking it to the world. They think about Europe because there's so many counties here in Europe. And I think that they think I can get this and I can grow. But when you are in New Zealand your mindset is so much bigger, because we're tiny, we're nothing, we're insignificant. Whereas when you are in Europe it feels like half the world anyway.* (Marketing Manager, Firm D)

On a related note, the respondent commented in more depth on their perception of the European innovation, with implications for how European companies can possibly learn from New Zealand's more global mindset in innovation and "globalized" position in competition:

> *I think if you look at innovation that comes out of Europe in our industry, it's quite different. It's industrial, it's all about quality, and they over engineer. And maybe sometimes it's why people down here aren't as successful in Europe because it's not European… So there's definitely something different about a European person innovating for Europe, versus a New Zealand company innovating for the world. We try more of a global approach. And maybe arguably that means it's not perfect for Europe because we haven't made it perfect for Europe, we've made it as perfect as it can be for the world.* (Marketing Manager, Firm D).

Finally, the interviewed manager considered it mostly sufficient to have New Zealand staff travel to Europe (and have Europeans in the company HQ, where over 50% of staff are immigrants not born in New Zealand) instead of having a large R&D presence in the EU:

> *We sell a lot more masks, non-invasive vent masks in Europe than in America. And so they are leading the way there, but we know that, we understand that. We go there, we visit the hospitals and we can see those differences. So we see that the needs of that market are different to the needs of America. And I don't know that you necessarily need someone who's doing R&D in market to know that. We have our sales reps there.* (Marketing Manager, Firm D)

TABLE 1
PRESENTATION OF CASE STUDIES

Firm	**Country of origin and business**	**Entry mode in the EU**	**Key innovation locations**	**Interviewee**
Firm A	New Zealand, sorting equipment	Acquisition in Spain, JV in Italy (formerly)	EU: Spain Other: NZ, US, Uruguay	NZ-based R&D director (NZ national)
Firm B	New Zealand, oscillators and frequency control	Both EU subsidiaries were acquired	EU: France Other: NZ, UK, Asia (formerly)	NZ-based senior R&D engineer (EU national)
Firm C	New Zealand, animal building management	Sales subsidiaries in the EU	EU: Netherlands Other: NZ, UK, Australian, US	NZ-based R&D manager (NZ national)
Firm D	New Zealand, medical devices	Sales subsidiaries in the EU	EU: France, UK, Germany Other: NZ, US	NZ-based marketing manager (NZ national)

Case Comparison

After presenting the four cases, we now compare them by analyzing the relationship between the firms' global knowledge and innovation links, and building of position in global competition, to answer our main research question.

Knowledge and Innovation Links

Interviews have revealed that knowledge and innovation links are important aspects of business relationships between New Zealand and Europe, pointing to knowledge about the business environment and marketing know-how, and innovation links related to technical and design know-how as important factors to consider. The four case studies provide insight into the nature, depth and strength of global knowledge and innovation links.

Firms A and B have opted for relatively stronger global knowledge and innovation links (particularly in Europe) compared to Firms C and D, which have their innovation more centralized in the HQ and have weak knowledge and innovation links abroad (in the EU). The strength of firm A's global knowledge and innovation links in Europe is demonstrated by its commitment to acquire an R&D intensive firm abroad and a plan to increase the share of Spanish subsidiary's R&D on the firm's global R&D from single digits to 20%. It also gave the Spanish subsidiary a mandate for EU-relevant R&D and market expansion there. R&D manager of firm A explained: *"Spain has a mandate for Europe expansion. R&D has to be there as*

they are closer to customers and they have also some accumulated knowledge from the past." (R&D manager, Firm A) Firm B, which has shown commitment to the EU through two acquisitions there, suggested that *"every subsidiary conducts R&D independently and there is exchange of ideas and concepts."* (Senior Innovation Engineer, Firm B)

On the other hand, Firms C and D have only weak knowledge and innovation links in the EU. Firm C only acquired a minority share in a distributor (seeking knowledge about the business environment) and only does selective joint innovation with suppliers in the EU.

> *"I guess the way that innovation works here, well historically it was primarily driven by what sales people would ask for. Over the last few years, it's much more involved into really understanding markets and users, and looking for opportunities for innovation, and developing solutions that are really creating strategic advantage for us in those markets."* (R&D Manager, Firm C)

Firm D is mostly operating in the EU via its sales reps and has only selective non-equity partnerships, e.g., with doctors:

> *"We don't have any R&D labs around the world. We do all our R&D in New Zealand. And it's just about sending our people out and identifying and watching that customer, and then we come back and do all of our R&D in New Zealand."* (Marketing Manager, Firm D)

Firm Positions in Global Competition

There were also substantial differences across the four cases in terms of approach to position in global competition. Firms B and D have adopted a "globalized" position, where they were trying to "develop a global market position" (Firm B) or were "innovating for the world" (Firm D). On the other hand, firms A and C have adopted less of a standardized/globalized approach:

> *"When we develop the product roadmaps for instance, when we do our competitive analysis, we look at our position in the market, we do our pricing analysis, when we look at the trends in the various markets, they [European partners] are heavily involved at that stage. So, they provide the perspective from that market. If it's from European perspective. They talk about their local competitors, they talk about regulation. They talk about anything that's relevant in the market and bring that perspective into the conversation to help us decide what the right products are or the right solutions are for the road map and for that market."* (R&D Manager, Firm C)

The Firm A respondent mentioned that the key goal of European operations was linked to growing the market presence there to 40% of the firm's global sales, and they had to be "closer to customers" to understand them and provide a localized product relevant to EU.

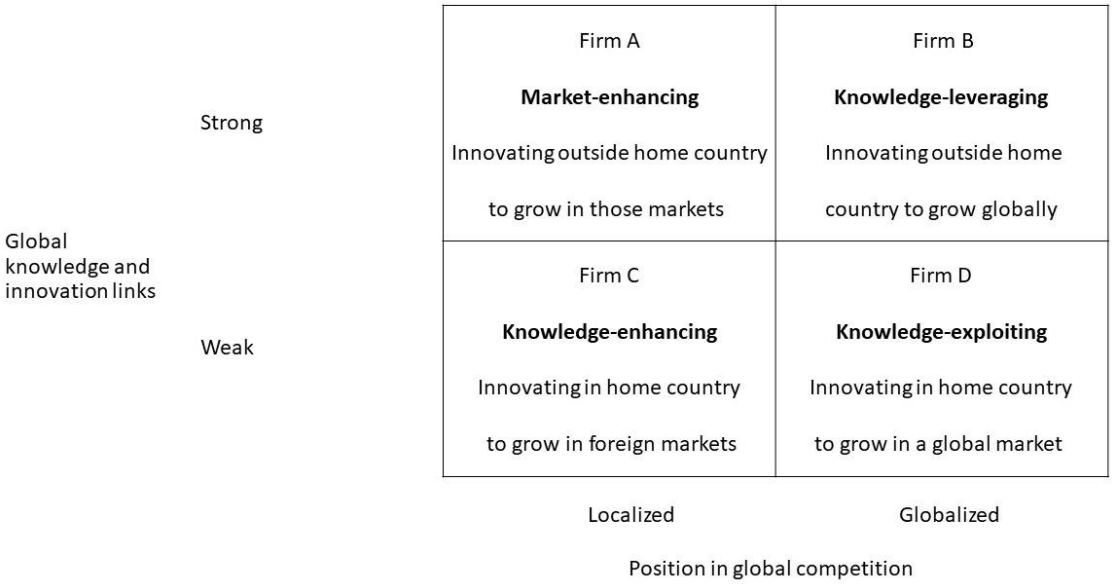
A TYPOLOGY OF KNOWLEDGE AND INNOVATION STRATEGIES IN GLOBAL COMPETITION

The analysis, based on the case comparison, can be integrated into a typology of knowledge and innovation strategies in global competition presented in Figure 1. The four cases embody four types of strategies depending on the combination of the strength of global knowledge and innovation links (from strong to weak) and the position in global competition (from localized to globalized). Firm A epitomizes what we call *"market-enhancing"* knowledge and innovation strategy in global competition. The relatively strong knowledge and innovation links outside of home country (e.g., Firm A's growing Spanish R&D centre) serve as a platform for growing sales in those markets (in this case in the EU). Firm B epitomizes what we call a *"knowledge-leveraging"* strategy in global competition, which corresponds to strong global knowledge and innovation links and a globalized position in global competition. It is innovating outside of

its home country (e.g., Firm B's two acquired firms and their R&D units in the EU) to grow globally (e.g., Firm B's stated aim to leverage the knowledge and innovation of its French and UK units to grow sales outside of the EU).

The third type of knowledge and innovation strategy in global competition we call *"knowledge-enhancing"*. It corresponds to relatively weak global knowledge and innovation links and a localized position in global competition. Firm C typifies this strategy, which involves innovating in the home country (e.g., Firm C's HQ-centred R&D team) to grow in foreign markets, with strong sensing of differences among those markets and some local-based innovation input from foreign partners (such Firm C's minority owned Dutch distributor or EU suppliers) to enhance knowledge about what is relevant in foreign markets and how much to localize the products for them. This contrasts with the *knowledge-exploiting"* strategy, adopted by Firm D, which made a deliberate choice of a globalized position ("we are not innovating for Europe, we are innovating for the world") and only chose weak innovation and knowledge links abroad (in the EU). The aim of this strategy is to grow in what the firm sees as one "global market" not multiple, different foreign markets that require much (potential) localization. The "knowledge-exploiting" strategy does not see a need for forming strong knowledge and innovation links abroad (say R&D unit in the EU).

FIGURE 1
KNOWLEDGE AND INNOVATION STRATEGIES IN GLOBAL COMPETITION



DISCUSSION

In this paper, we have developed a typology that contributes to the global strategy field and the literature on knowledge interactions in the global innovation process (Kim et al., 2020; Sheng & Hartmann, 2019). The evolving stream of the global strategy literature on localization vs standardization (Grøgaard et al., 2022; Regnér & Edman, 2014) can benefit from a stronger integration with the literature on the types of knowledge interactions in the innovation process (Shujahat et al., 2019; Tödtling et al., 2007). Both these literatures can be enriched by being set within a context of the changing landscape of international trade policy.

Our typology moves the research on global strategy positions toward a more nuanced conceptualization of the role and use of knowledge in building positions in global competition. We distinguish (1) knowledge-exploiting global strategy (linked to what the innovation and organizational studies literatures call "exploitation in organizational learning", e.g. March, 1991); (2) knowledge-leveraging global strategy

(linked to Tallman & Phene, 2007); (3) knowledge-enhancing global strategy, which is distinct from knowledge-seeking strategy (Chung & Alcácer, 2002; Piperopoulos, Wu & Wang, 2019); and (4) market-enhancing global strategy (related to market-seeking R&D acknowledge in Ambos, 2005). The main limitation of our study is the small sample and hence our findings are not generalisable. Another limitation of our study is that it suggests a dichotomy of localized vs. globalized position in global competition, while companies can also adopt "blended" positions, for example that of "local integration" (Santos & Williamson, 2015).

CONCLUSION

Overall, the study offers insights to firms from other small, open economies and countries located far away from the main Triad regions on how they can strategize in their international innovation. Future research may explore how the four strategies from our typology are implemented, for example via practice creation, improvisation and the emergence of lateral knowledge (Stendahl et al., 2022). The role of individuals in knowledge sourcing may also be explored (Santangelo & Phene, 2022) in relation to our typology. The typology may also be enriched by linking it to dynamic capabilities research, e.g., research on risk and uncertainty management capabilities (Zámborský et al., 2022) and environmental sensing (Riviere, Zámborský, & Dumoulin, 2025); on FDI, managerial spillovers and innovation outcomes (Riviere & Zámborský, 2023); and on the impact of geopolitical tensions on internationalization strategies (Zámborský et al., 2023b).

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