



HAL
open science

Proximity and the Evolution of Collaboration Networks: Evidence from R&D projects within the GNSS industry

Pierre-Alexandre Balland

► **To cite this version:**

Pierre-Alexandre Balland. Proximity and the Evolution of Collaboration Networks: Evidence from R&D projects within the GNSS industry. *Regional Studies*, 2011, pp.1. 10.1080/00343404.2010.529121 . hal-00663406

HAL Id: hal-00663406

<https://hal.science/hal-00663406>

Submitted on 27 Jan 2012

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.



**Proximity and the Evolution of Collaboration Networks:
Evidence from R&D projects within the GNSS industry**

Journal:	<i>Regional Studies</i>
Manuscript ID:	CRES-2009-0376.R2
Manuscript Type:	Main Section
JEL codes:	O32 - Management of Technological Innovation and R&D < O3 - Technological Change Research and Development < O - Economic Development, Technological Change, and Growth, R12 - Size and Spatial Distributions of Regional Economic Activity < R1 - General Regional Economics < R - Urban, Rural, and Regional Economics
Keywords:	Collaboration networks, proximity , dynamic network models, R&D projects, GNSS

SCHOLARONE™
Manuscripts

Cris: note that the author provided a French abstract

Proximity and the Evolution of Collaboration Networks:

Evidence from R&D projects within the GNSS industry

Pierre-Alexandre Balland

Laboratoire d'études et de recherches sur l'économie, les politiques et les systèmes sociaux (LEREPS),

University of Toulouse, Manufacture des tabacs, 21 allée de Brienne, F-31000 Toulouse, France.

E-mail: pballand@univ-tlse1.fr

(Received November 2009; in revised form September 2010)

1
2
3
4
5
6 **Abstract:** This paper analyses the influence of proximity on the evolution of collaboration networks. It
7 determines empirically how organizations choose their partners according to their geographical,
8 cognitive, organizational, institutional and social proximity. Relational databases are constructed from
9 R&D collaborative projects, funded under the European Union 6th Framework Programme within the
10 navigation by satellite industry (GNSS) from 2004 to 2007. The stochastic actor-based model SIENA is
11 used to model the network dynamic as a realisation of a continuous-time Markov chain and to estimate
12 parameters for underlying mechanisms of its evolution. Empirical results show that geographical,
13 organizational and institutional proximity favour collaborations, while cognitive and social proximity do
14 not play a significant role.
15

16
17 **Keywords:** Collaboration networks; proximity; economic geography; dynamic network models; GNSS
18

19 **JEL classification:** O32, R12
20

21 **Résumé :** Ce papier analyse l'influence de la proximité sur l'évolution des réseaux de collaboration. Il
22 détermine empiriquement la façon dont les organisations choisissent leurs partenaires en fonction de
23 leur proximité géographique, cognitive, organisationnelle, institutionnelle et sociale. Les bases de
24 données relationnelles sont construites à partir des projets collaboratifs de R&D financés par le 6^{ème}
25 Programme Cadre de Recherche et de Développement de l'Union Européenne, dans la navigation par
26 satellite (GNSS) de 2004 à 2007. Le modèle stochastique orienté par l'acteur SIENA est utilisé pour
27 modéliser la dynamique du réseau par une chaîne de Markov en temps continu et pour estimer les
28 paramètres liés aux mécanismes de son évolution. Les résultats empiriques montrent que les dimensions
29 de proximité géographique, organisationnelle et institutionnelle favorisent les collaborations, tandis que
30 les formes de proximité cognitive et sociale ne jouent pas un rôle significatif.
31
32

33
34 **Mots-clés:** Réseaux de collaboration ; proximité ; économie géographique ; modèles de réseaux
35 dynamiques ; GNSS
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

1. Introduction

Increasing attention has been recently given to understand how networks affect organizational performance in innovation studies (AHUJA 2000, GAY and DOUSSET 2005, SCHILLING and PHELPS 2007, BOSCHMA and TER WAL 2007). This interest has contributed to a better understanding of innovative activity and clustering processes (SUIRE and VICENTE 2009). Surprisingly, the main drivers of the evolution of innovation networks have been neglected, and still remain unclear. By using network indicators, such as centrality, reachability, brokerage or structural characteristics as independent variables, attention has been focused on organizational performance. This has strongly contributed to consider the network as a black box, similarly to the localised knowledge spillovers in the geography of innovation (BRESCHI and LISSONI 2001). Indeed, the network is seen as an independent variable, with given structure and given positions of actors, but little attention is devoted to the underlying mechanisms of their morphogenesis (COHENDET, KIRMAN and ZIMMERMANN 2003).

Thus, even if different disciplines have recently contributed to identify patterns of relational change in organizational networks, these mechanisms remain still unclear. Influence of individual characteristics of organizations on collaboration choices have been analysed in economics (D'ASPREMONT and JACQUEMIN 1988, CASSIMAN and VEUGELERS 2002), and especially the importance of absorptive capacity (COHEN and LEVINTHAL 1990) has been highlighted in recent empirical approaches (GIULIANI and BELL 2005, BOSCHMA and TER WAL 2007). Following the seminal contributions about endogenous structural effects of network changes in sociology and physics, GLÜCKLER (2007), GIULIANI (2008) and TER WAL (2009) tried to analyse the path-dependent evolution of network structures. Beyond individual and structural characteristics, the ambiguous effects of proximity needs to be clarified and begins to be investigated theoretically (BOSCHMA

1
2
3 2005, KNOBEN and OERLEMANS 2006) and empirically (AUTANT-BERNARD *et al.* 2007, PONDS *et al.* 2007, TER
4
5 WAL 2009, SCHERNGELL and BARBER 2010).

6
7
8 BOSCHMA and FRENKEN (2009) identify this research question as crucial for evolutionary economic
9
10 geography and propose a theoretical framework, in order to link proximity concepts (BELLET *et al.* 1993,
11
12 RALLET and TORRE 2001, BOSCHMA 2005, CARRINCAZEUX *et al.* 2008) and the evolution of innovation
13
14 networks (SNIJDERS 2001, GLÜCKLER 2007). Other contributions relating proximity concepts and inter-
15
16 organizational collaborations appeared with papers analysing how geographical proximity facilitates
17
18 face-to-face interactions (BOSCHMA 2005, WETERINGS 2006). Influence of proximity is in this sense close to
19
20 the homophily effect (MCPHERSON *et al.* 2001, POWELL *et al.* 2005), where actors are supposed to interact
21
22 more with other ones when they share similar attributes. Proximity researchers have produced many
23
24 theoretical propositions in order to define various forms of proximity and their articulation. The paper
25
26 uses the analytical distinction in five dimensions proposed by BOSCHMA (2005). Proximity between
27
28 organizations can thus relate to their spatial area (geographical), their knowledge bases (cognitive), their
29
30 corporate group (organizational), their institutional form (institutional) and finally to their social network
31
32 (social). The paper contributes to this ongoing debate by determining empirically how organizations
33
34 choose their partners according to their geographical, organizational, institutional, cognitive and social
35
36 proximity.

37
38
39 Measuring proximity (NOOTEBOOM 2000, BOUBA-OLGA and ZIMMERMANN 2004, POWELL *et al.* 2005, CANTNER
40
41 and GRAF 2006, CARRINCAZEUX *et al.* 2008, MASSARD and MEHIER 2009) and obtaining appropriated data
42
43 represents an empirical challenge for each form of proximity. In order to explain the respective influence
44
45 of the proximity dimensions, a major issue of this paper is dedicated to measure proximity and analyze
46
47 what happens when each form controls the effect of the four others. Doing this, the paper aims to clarify
48
49 the influence of each form of proximity on the evolution of the Global Navigation Satellite Systems
50
51 (GNSS) collaboration network. The relational database is constructed from publicly available information
52
53
54
55
56
57
58
59
60

1
2
3 about R&D collaborative projects of the 6th European Union Framework Programme within the GNSS
4
5 industry (FP6). Patterns of evolution are determined according to a longitudinal study of the relational
6
7 changes occurred between four consecutive years, from 2004 to 2007. The paper models network
8
9 changes as an evolutionary process, driven by the actors and the overall structure. It uses a statistical
10
11 model specifically designed to deal with the complexity of network dynamics: the stochastic actor-based
12
13 model SIENA (SNIJDERS 2001) that has already provided new insights in economic geography (GIULIANI and
14
15 BELL 2008, TER WAL 2009). More precisely, the GNSS collaboration network dynamic is modeled as a
16
17 realisation of a continuous-time Markov chain (NORRIS 1997) and parameters for underlying mechanisms
18
19 of its evolution are estimated with the method of moments, implemented by computer simulation¹.
20
21
22

23
24 The second section is dedicated to the definition of proximity retained in the paper. It presents
25
26 theoretically geographical, organizational, institutional, cognitive and social proximity, and elaborates
27
28 propositions about their respective influence on the evolution of collaboration networks. The third
29
30 section describes the origin and the nature of the relational data. It details specificities of the GNSS
31
32 industry, but also how data are collected and how the sample is constructed. The fourth section focuses
33
34 on the methodology employed for the longitudinal data analysis, describing how the network dynamic is
35
36 modelled by the stochastic actor-based model SIENA. The fifth section particularly insists on the
37
38 operationalization of the forms of proximity and on the specification of the model. Main empirical results
39
40 of the model are discussed in the sixth section. Open questions and future research agenda conclude the
41
42
43
44
45 paper.

46 47 **2. How proximity influences the evolution of collaboration networks**

48
49 Various definitions and typologies of proximity have been discussed in order to provide a better
50
51 understanding of coordination processes of economics activities. Institutions are highlighted in the first
52
53 typology (BELLET, COLLETIS and LUNG 1993), where three types of proximity: geographical, organizational
54
55
56

1
2
3 and institutional are defined. Interactions between actors matter more in a second approach (RALLET and
4
5 TORRE 2001), which examines geographical and organized proximity, in order to insist on the link
6
7 between a geographic notion and a relational one. The paper retains a third approach, based on the
8
9 analytical distinction proposed by BOSCHMA (2005). It distinguishes five dimensions: geographical,
10
11 cognitive, organizational, institutional and social proximity.
12
13

14 15 **2.1 Geographical Proximity**

16
17
18 Geographical proximity refers to the spatial separation between actors (GILLY and TORRE 2000), and it is
19
20 supposed to enhance face-to-face interactions (BOSCHMA 2005). In its simplest form, geographical
21
22 proximity is defined by the physical distance that separates two organizations, and can be measured by a
23
24 metric system (miles or kilometres) or using travel times. Recently, authors have distinguished co-
25
26 location and geographical proximity, in order to specify that organizations can share geographical
27
28 proximity without being co-located (meeting, visit or conference) by using temporary geographical
29
30 proximity (TORRE 2008). This paper adopts an approach where geographical proximity refers to the
31
32 actors' perception of their spatial area (BOUBA-OLGA and GROSSETTI 2008), often expressed according to
33
34 the boundaries of their country or their regions. Geographical proximity is in this sense closer to a
35
36 perspective of co-location of the organizations. Beyond material reasons, like reducing transport cost or
37
38 providing the utilisation of same technological platforms, strong relations exist between geographical
39
40 proximity and the diffusion of knowledge (AUDRETSCH and FELDMAN 1996). The main underlying
41
42 mechanism is that tacit knowledge, a key driver of innovation processes, is less likely to be transferred
43
44 within distant collaborations (HOWELLS 2002). In addition, geographical proximity plays a more indirect
45
46 role in knowledge transfer, by strengthening the other dimensions of proximity (BOSCHMA 2005).
47
48 Following this, a first proposition will be tested:
49
50
51
52
53

54
55 **Proposition 1.** *Organizations are more likely to interact when they belong to the same spatial*
56
57

1
2
3 *area, i.e. when they share a geographical proximity.*
4
5

6 **2.2 Cognitive Proximity**

7

8
9 Cognitive proximity refers to the degree of similitude of the knowledge bases of organizations
10 (NOOTEBOOM 2000), and it is necessary to communicate and transfer knowledge between partners
11 (KNOBEN and OERLEMANS 2006). Nevertheless, organizations collaborate in order to access external
12 knowledge, which requires a certain degree of cognitive distance between both partners. It leads to a
13 trade off between novelty (cognitive distance of knowledge bases) and communication (cognitive
14 proximity of knowledge bases), illustrated by the existence of an optimal cognitive distance (NOOTEBOOM
15 2000) which will ensure novelty but also effective communication. Thus, cognitive proximity is certainly
16 the most decisive dimension observed by organizations when they select their future partners (ANTONELLI
17 2000, BOSCHMA and FRENKEN 2009). The paper retains a definition of cognitive proximity based on the
18 kind of knowledge developed, through a competencies matrix, in order to analyse if organizations have a
19 preference for same or different knowledge bases. This methodology has already been used for the
20 GNSS industry by VICENTE, BALLAND and BROSSARD (2010). Testing the preference for the same knowledge
21 bases, a second proposition is elaborated:
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38

39 **Proposition 2.** *Organizations are more likely to interact when they have the same knowledge*
40 *bases, i.e. when they share a cognitive proximity.*
41
42
43

44 **2.3 Organizational Proximity**

45

46
47 Organizational proximity is defined as the degree of strategic interdependence between two
48 organizations, and it reduces uncertainty about the behaviour of the future partner (BOSCHMA 2005). The
49 literature provides two major definitions of this concept, which sometimes can lead to ambiguity. The
50 first one refers to a relational space, in opposition to a geographical one, and it is defined by interactions
51 of different nature (RALLET and TORRE 2001). This paper proposes a definition based on the second
52
53
54
55
56
57
58
59
60

1
2
3 approach, where organizational proximity does not refer to collaboration networks (the dependent
4 variable in the paper), or social networks (social proximity in the paper). It is understood as a specific
5 form of proximity among firms of the same corporate group, i.e. within parent companies, the
6 subsidiaries and their different establishments. So, two organizations can share an organizational
7 proximity without any innovative, collaborative or social interactions. The degree of organizational
8 proximity is defined by the degree of autonomy and control induced by their link (BOSCHMA 2005). When
9 actors share a high degree of organizational proximity, it is easier to avoid unintended knowledge
10 spillovers and to reduce uncertainty. Thus, it can reduce costs of collaboration by providing easier
11 exchange of engineers, working groups or meetings. Finally, relevant information about knowledge bases
12 of both partners is also more easily available, as described above with the definition of cognitive
13 proximity, which is crucial for a good cognitive matching and an efficient collaboration. These
14 considerations lead to the third proposition:

15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31 **Proposition 3.** *Organizations are more likely to interact with members of their corporate group,*
32 *i.e. when they share an organizational proximity.*
33
34

35 36 **2.4 Institutional Proximity**

37
38
39 Institutional proximity is defined by the similarity of informal constraints and formal rules shared by
40 actors (NORTH 1990), where common representations, routines and incentives allow organizations to
41 realize an efficient transfer of knowledge (KNOBEN and OERLEMANS 2006). The institutional proximity is
42 thus composed by formal institutions, like laws and rules, and informal institutions, close to the
43 sociological notion of habitus which is a way of conduct, constructed involuntarily through the
44 socialization process. Following research on science-industry collaborations (LEVY, ROUX and WOLFF 2009),
45 the paper considers institutional proximity as the belonging to the same institutional form. This measure
46 has already been proposed by PONDS *et al.* (2007), applying the triple helix model (ETZKOWITZ and
47
48
49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 LEYDESDORFF 2000), in order to distinguish among industry, academia and government. This paper
4
5 considers also the “public” as a fourth helix (LEYDESDORFF and ETZKOWITZ 2003), in order to introduce the
6
7 influence of non-profit organizations in knowledge creation. Organizations embedded in the same
8
9 institutional form share to some extent common formal and informal institutions, making less easy
10
11 collaborations among organizations belonging to different institutional forms. Indeed, both formal and
12
13 informal institutions influence the coordination process of organizations (KIRAT and LUNG 1999),
14
15 especially in R&D collaboration networks. Institutional proximity facilitates communication, especially for
16
17 organizations that share and develop complex knowledge around collaborative projects. It leads to test a
18
19 fourth proposition:
20
21
22

23
24 **Proposition 4.** *Organizations are more likely to interact when they have the same institutional*
25
26 *form, i.e. when they share an institutional proximity.*
27
28

29 **2.5 Social Proximity**

30
31
32 Social proximity refers to the degree of common relationships, where friendship and trust are central,
33
34 and it is supposed to diffuse informal knowledge and facilitates collaborations (BOSCHMA and FRENKEN
35
36 2009). It refers to the intersection between social networks of individuals of two organizations. Focusing
37
38 on the personal level is very relevant for the understanding of mechanisms that provide the diffusion of
39
40 tacit, sometimes more or less secret knowledge. Individuals embedded in a social network know each
41
42 other personally (GRANOVETTER 1985), which determines their accessibility to information exchange or
43
44 technical advice (BRESCHI and LISSONI 2003, GROSSETTI and BÈS 2001). The paper focuses on social proximity
45
46 created through collaborations between organizations themselves (AUTANT-BERNARD *et al.* 2007). It is
47
48 supposed that their degree of social proximity decreases with their geodesic distance, i.e. the shortest
49
50 path between two organizations in the overall network. More precisely, social proximity is considered via
51
52 the inverse of the geodesic distance separating two organizations (BOSCHMA and FRENKEN 2009). In this
53
54
55
56
57
58
59
60

1
2
3 approach, social proximity is close to the structural mechanism of transitivity (DAVIS 1970, HOLLAND and
4
5 LEINHARDT 1971) which leads to network closure according to Boschma and Frenken (2009, p.9): “the role
6
7 of social proximity in the formation of network links relates to the concept of closure [...] closure simply
8
9 means that if two actors have a social distance of two, they have a higher probability of getting
10
11 connected”. Social proximity refers mainly to reputation and trust effects, created by the experience of
12
13 past collaborations and repeated contacts between partners. Thus, friendship, but mostly reputation and
14
15 trust, contributes to provide the diffusion of informal knowledge that leads organizations with a
16
17 common partner to be more likely to collaborate. Considering the social proximity induced by a weak
18
19 geodesic distance, a last proposition is elaborated:
20
21
22

23
24 **Proposition 5.** *Partners of partners are more likely to interact than others, i.e. social proximity*
25
26 *favour collaboration.*
27
28

29
30 Each of these five propositions will be tested empirically in order to clarify the respective influence of the
31
32 different dimensions of proximity on the evolution of collaboration networks. The next section describes
33
34 the longitudinal relational database.
35
36

37 **3. Data**

38
39 Adequate data are often difficult to obtain for social network analysis (TER WAL and BOSCHMA 2009), and
40
41 it is obviously harder to gather longitudinal relational data (BAUM *et al.* 2003). Relevant information
42
43 about knowledge collaboration, especially when collaborations start and finish, can be found in the
44
45 database of the Framework Programmes (FPs) on research and technological development. Launched in
46
47 1984 by the European Union, the FPs aim to fund transnational and collaborative R&D projects, in order
48
49 to support collaborative research and promote a European research area, reaffirmed through the Lisbon
50
51 European Council in March 2000. The paper focuses on the FP6 within the GNSS industry.
52
53
54
55

56 **3.1 The GNSS industry**

1
2
3 GNSS is a standard term used to describe systems that provide positioning and navigation solutions.
4
5 These technologies were mainly developed in the aerospace industry, for military reasons. Nowadays², in
6
7 the technological and symbolic paradigm of mobility, GNSS are technologies which find
8
9 complementarities and integration opportunities in many other technological and socio-economic
10
11 contexts. Indeed, GNSS industry requires collaborations between public and private organizations, from
12
13 different sectors, and so is characterized by a large variety of knowledge background (VICENTE *et al.*
14
15 2010).
16
17

18
19 Actors of the GNSS industry are thus organizations with heterogeneous institutional forms, big
20
21 companies, SMEs, research centres, agencies³ or non-profit organizations. Important organizations⁴ are
22
23 the competitors Thales Alenia Space and EADS Astrium, national space agencies CNES⁵ (France) and DLR⁶
24
25 (Germany), and the European Space Agency. Public actors are involved in the knowledge creation
26
27 process around GNSS, because their applications are mostly dedicated to health, emergency or social
28
29 services. Besides, the Egnos program and now Galileo are political key issues to insure a European
30
31 independence of navigation satellite systems, especially considering the American GPS.
32
33

34
35 The geography of the GNSS industry crosses national boundaries, and more generally space industry has
36
37 historically developed research collaboration among organizations from different European countries.
38
39 Especially France and Germany for the beginning, and now Spain, England, Netherlands and Italy have
40
41 also strong competencies and collaborate in the GNSS composite knowledge dynamic. BALLAND, SUIRE and
42
43 VICENTE (2010) identified the seven main GNSS clusters in Europe in the regions of Midi-Pyrenees, Upper
44
45 Bavaria, Ile de France, Inner London, Community of Madrid, Tuscany and Lazio.
46
47
48

49 **3.2 Data collection**

50
51
52 Aiming to study the evolution of collaboration networks in the GNSS industry, these databases are
53
54 particularly relevant for at least two reasons related to the space industry history. Firstly, since the end
55
56

1
2
3 of the 1950s space organizations are used to work by project. Each satellite is a project by itself and also
4
5 a unique product that makes it difficult to produce it intensively in a standardized production chain.
6
7 Secondly, space organizations are used to work under funded projects or programmes because the space
8
9 exploration has always been a very strategic issue for countries. Data can be directly collected from the
10
11 database of information services of the European Commission, publicly available on the Cordis⁷ for all
12
13 EU-supported R&D activities, and more precisely on the GNSS Supervisory Authority database⁸ for FP
14
15 dedicated to the GNSS industry. Some projects, often the big ones, are more detailed than others, so it
16
17 led us sometimes to collect more precise information on the project websites, communication
18
19 documents, work package reports, but also on the websites of the partners, if publicly available.
20
21
22

23
24 In spite of the completeness, the dating and the information about the projects and the organizations
25
26 given in these databases, extracting collaborations from funded projects requires treating another kind
27
28 of problem. Institutions which fund these projects, in this case the European Commission, select the
29
30 partners according to scientific, technical, or economic reasons, but also for political reasons. Sometimes
31
32 it leads to the inclusion of organizations that would not be selected as partners without the
33
34 consideration of these guidelines. One solution is to think about the activity of the organizations as an
35
36 indicator of their legitimacy to participate in these projects, focusing on relations between organizations
37
38 which participate at least in two projects on the overall period, similarly to AUTANT-BERNARD *et al.* (2007).
39
40 This approach is certainly not free from criticisms, but it helps to reduce the confusion between partners
41
42 chosen for their competencies and partners chosen for political reasons.
43
44
45
46

47 **3.3 The longitudinal network database**

48
49 Thus, a secondary dataset is constructed, and four relational matrixes are distinguished from 2004 to
50
51 2007 (one for each year), corresponding to the observed moments in the model. Two organizations are
52
53 linked when they participate in the same project. For the construction of the longitudinal relational
54
55
56

1
2
3 database it is assumed that ties are active from the beginning to the end of each project. Relations are
4
5 not directed, because by nature ties are reciprocal in collaboration networks, and dichotomized. Table 1
6
7 shows descriptive statistics about the cumulated number of projects and organizations on the overall
8
9 period.
10

11
12
13 *Table 1 here*
14

15
16 The dynamic of the GNSS collaboration network is expressed by the number of relational changes, i.e
17
18 when ties are created or dissolved. Numbers and shares of changes are detailed in table 2.
19

20
21 *Table 2 here*
22

23
24 Each year, more relations are created than dissolved, so it indicates that the network is growing during
25
26 all considered periods. Nevertheless, after a very quick expansion between 2004 and 2005, the network
27
28 grew slowly in 2005-2006 and the last period, 2006-2007 is a period of stabilization with more or less the
29
30 same number of ties created and dissolved. Figure 1 gives a bi-partite visualization of the GNSS
31
32 collaboration network for each year, from 2004 to 2007, where blue squares represent projects and red
33
34 circles represent organizations.
35
36

37
38 *Figure 1 here*
39

40
41 Structural characteristics of the network are described in table 3 for each year. Density expresses the
42
43 number of effective linkages divided by the maximum number of possible linkages. A density close to 0
44
45 indicates a poorly connected network, and when it is close to 1 the network is very connected. Mean
46
47 degree expresses, on average, the number of organizations' partners.
48
49

50
51 *Table 3 here*
52

53 **4. A stochastic actor-based model for network dynamics** 54 55

1
2
3 This part presents how the network dynamic is modeled in the paper, using the stochastic actor-based
4 model SIENA (Snijders et al. 2010). This statistical model simulates network evolution between
5 observations and estimates parameters for underlying mechanisms of network dynamics by combining
6 random utility models, Markov processes and simulation (VAN DE BUNT and GROENEWEGEN 2007).
7
8
9
10
11

12 **4.1 Network changes as an evolutionary process**

13
14
15 This model has been specifically designed to deal with the complexity of network panel data and thus to
16 provide statistical analysis of the evolution of networks. Thereby, SIENA is complementary to
17 mathematical models for network dynamics, but also to standard econometric tools, for at least two
18 crucial reasons. First, the model estimates and tests parameters from empirical data, while mathematical
19 models for network dynamics (BALA and GOYAL 2000, JIN et al. 2001, JACKSON and ROGERS 2007) are
20 difficult to use for this purpose (SNIJDERS et al. 2010). Second, the model considers network changes as an
21 evolutionary process (BOSCHMA and FRENKEN 2006), while traditional econometric analysis of
22 collaboration networks are often static (AUTANT-BERNARD et al. 2007, PAIER and SCHERNGELL 2008, AHUJA et
23 al. 2009). Moreover, the framework of econometric analysis of panel data (BATALGI et al. 2008) has not
24 provided specific models for network dynamics, and is often constructed on the basis of discrete time
25 models. Such discrete time models explain the totality of changes (i.e. the creation and dissolution of
26 ties) in a single regression model, which seems to be a severe limitation to represent real change
27 processes of networks structures. It seems to be more realistic to model network structures as evolving
28 and changing gradually, according to an iterative process, between observed moments (SNIJDERS et al.
29 2010), as a realisation of a continuous-time Markov chain like proposed traditionally in models for social
30 network dynamics since HOLLAND and LEINHARDT (1977). It appears that providing estimation from
31 empirical data and considering network changes as an evolutionary process, stochastic actor-based
32 models (Snijders 1996, 2001) are today a very promising tool to study the dynamic of networks in
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

economic geography (TER WAL and BOSCHMA 2009). Beside, the model has already provided new insights not only in economic geography (GIULIANI and BELL 2008, TER WAL 2009), but also in management (CHECKLEY and STEGLICH 2007, VAN DE BUNT and GROENEWEGEN 2007), sociology (DE FEDERICO 2004, LAZEGA *et al.* 2008) and health studies (STEGLICH, SNIJDERS and WEST 2006).

4.2 The Markov process

Network structures, organized as time series $x(t), t \in \{t_1, \dots, t_m\}$ for a constant set of organizations $N = \{1, \dots, n\}$, are modeled as a continuous-time Markov chain $X(t)$. Each observation is represented by a $n \times n$ matrix $x = (x_{ij})$, where x_{ij} represents the link from the organization i to the organization j ($i, j = 1, \dots, n$). Markov chains are statistical techniques widely used in econometrics (HANSEN and SCHEINKMAN 1995, CHIB and GREENBERG 1996) when time-dependent stochastic processes are analyzed. It expresses the idea that the current state of the network determines probabilistically its further evolution. Thus, t_1 to t_m are embedded in a continuous set of time points $T = [t_1; t_m] = \{t \in \mathfrak{R} | t_1 \leq t \leq t_m\}$. As specified in STEGLICH, SNIJDERS and WEST (2006, p.3) the basic idea “is to take the totality of all possible network configurations on a given set of actors as the state space of a stochastic process, and to model observed network dynamics by specifying parametric models for the transition probabilities between these states”. In our case, the size of this state space is $\{0,1\}^{n(n-1)/2}$, and it corresponds to all possible binary and undirected networks on the given set of organizations.

SIENA deals with the complexity of network dynamics by modeling the change process through two crucial components: the change *opportunity* process (rate function), and the change *determination* process (objective function). Formally, opportunities for actor i to change one of the tie variables X_{ij} ($j = 1, \dots, n; j \neq i$) occur at a rate λ_i , specified below in equation 3. Collaboration choices are

determined by f_i , specified below in equation 4 as a linear combination of effects, depending on the current state (x^0), the potential new state (x), individual attributes (v) and proximity (w). The set of permitted new states, following on a current state x^0 , is $C(x^0)$ and the product of the two model components λ_i and p_i determines the transition rate matrix (Q-matrix), of which the elements are given by (SNIJDERS 2008):

$$q_{x^0, x} = \lim_{dt \downarrow 0} \frac{P\{X(t+dt) = x | X(t) = x^0\}}{dt} \quad (1)$$

where $q_{x^0, x} = 0$ whenever $x_{ij} \neq x_{ij}^0$ for more than one element (i, j)

and $q_{x^0, x} = \lambda_i(x^0, v, w) p_i(x^0, x, v, w)$ for digraphs x and x^0 which differ from each other only in the element with index (i, j).

If there is an opportunity for change for actor i , the choice for this actor is to change one of the tie variables x_{ij} , which will lead to a new state $x, x \in C(x^0)$. For this choice a traditional multinomial logistic regression model is used (SNIJDERS et al. 2010) and the choice probabilities are given by:

$$P\{X(t) \text{ changes to } x | i \text{ has a change opportunity at time } t, X(t) = x^0\} \\ = p_i(x^0, x, v, w) = \frac{\exp(f_i(x^0, x, v, w))}{\sum_{x' \in C(x^0)} \exp(f_i(x^0, x', v, w))} \quad (2)$$

4.3 Specification of rate function and objective function

Indeed, the dynamic of the network is modeled according to the idea that when there is an opportunity for change (determined stochastically by the rate function), the probability of the change is assumed to be proportional to the exponential transformation of the objective function obtained if this change is

made (SNIJDERS et al. 2010). The *rate function* models the speed by which the dependent variable changes. This expected number of relational changes per organization determines the opportunity for organizations to make a relational change. For each actor i , opportunities to collaborate occur according to a Poisson process with rate λ_i . In the simplest specification of the model, all the organizations have the same opportunity of change, that is equal to a constant parameter $\lambda_i = p_m$. In more complicated models, heterogeneity is introduced in the rate of the actors, in order to consider that individual characteristics, that can be actor attributes or their network position, may considerably influence their opportunity to change their relations, i.e. to start more quickly than others new projects. Thus, when individual attribute (v_i) and degree ($\sum_j x_{ij}$) are considered, rate function is given by the following logarithmic link function:

$$\lambda_i(x^0, v) = p_m \exp(\alpha_1 v_i + \alpha_2 \sum_j x_{ij}) \quad (3)$$

As detailed above, when there is an opportunity for tie change, the second model component specifies the collaboration choice, as depending on preferences and constraints of the organization, represented by the *objective function*. As it is an actor-oriented statistical network model, it can be interpreted as the idea that organizations make rational choices to change their relations, myopically maximizing their objective function (Steglich, Snijders and Pearson 2010):

$$f_i(x^0, x, v, w) = \sum_k \beta_k s_{ki}(x^0, x, v, w) \quad (4)$$

In the objective function, $f_i(x^0, x, v, w)$ represents the value of the objective function of the organization $i \in \{1, \dots, n\}$, at the state $x \in X$ of the network, weights β_k are statistical parameters that indicate the strength of the different variables s_{ki} that can relate to the current state (x^0), the

1
2
3 potential new state (x), individual attributes (v) and proximity (w). Discrete choice models are applied
4
5 in order to define a probability set of choice where organizations can create, maintain or dissolve
6
7 collaborations with all others. It is interesting to note that creation and dissolution of ties are not
8
9 generally strictly inverse mechanisms, and it is often interesting to evaluate them separately. However,
10
11 analyzing why ties are dissolved (endowment function modelisation in SIENA) in the case of projects
12
13 whose length is fixed from the beginning seems less relevant.
14
15

16
17 The parameters are not estimated using the classical maximum likelihood according to the complexity of
18
19 the stochastic models (SNIJDERS 2001), but with the method of moments (BOWMAN and SHENTON 1985)
20
21 implemented by computer simulation. The solution of the moment equation is obtained by a variation of
22
23 the ROBBINS-MONRO (1951) algorithm (see SNIJDERS 2001 for the detailed procedure).
24
25

26 27 **5. Model specification and operationalization of the objective function variables**

28
29 For the analysis of non directed networks, SIENA proposes different kinds of specifications detailed in
30
31 SNIJDERS *et al.* (2007). The specification matters in the simulation phase, according to the rate function.
32
33 The closest model to the reality for collaboration networks (VAN DE BUNT and GROENEWEGEN 2007), called
34
35 *unilateral initiative and reciprocal confirmation model*, is the one used in the paper. It expresses the idea
36
37 that an organization (randomly chosen) proposes to engage collaboration with another one, on the basis
38
39 of its expected amount of utility (defined by the variables of the objective function). Then the chosen
40
41 partner has to confirm if he agrees, also on the basis of its expected amount of utility. Variables of the
42
43 utility function are geographical, organizational, institutional, cognitive and social proximity, together
44
45 with two others to control for structural effects and individual characteristics. Variables of the model are
46
47 summarized in table 4.
48
49
50

51
52 Structural effects are included with the density effect (and with the transitivity effect through social
53
54 proximity). Also called out-degree effect in the literature of longitudinal network analysis (SNIJDERS *et al.*
55
56

1
2
3 2010) it refers to the cost induced by the establishment of a relation, and explains why all nodes are not
4
5 able to be fully connected to all others (MCPHERSON *et al.* 2001). This effect is a control variable, which
6
7 should always been included in the specifications of the models using SIENA in order to control for the
8
9 observed density of the network and to explain the general likelihood for organizations to collaborate.
10
11 Theoretically, it refers back firstly to the fact that organizations have a limited capacity to start
12
13 collaborations, which are time-consuming, then to the higher probability of ties redundancy (BURT 2004)
14
15 and finally because it increases the risk of unintended knowledge spillovers (BROSSARD AND VICENTE 2007).
16
17 This risk is effective each time organizations decide to share knowledge, and even more when they
18
19 operate on the same market or when their cognitive distance is weak.
20
21
22

23
24 The level of absorptive capacity of organizations is also included in order to introduce individual
25
26 characteristics. It refers globally to the heterogeneity of the ability to exploit external knowledge.
27
28 Organizations establish relationships in order to access to external knowledge according to their
29
30 absorptive capacity. Absorptive capacity, defined as the ability of organizations to evaluate, assimilates
31
32 and exploits external knowledge (COHEN and LEVINTHAL 1990), will thereby determine the benefit
33
34 expected from collaboration. Empirical studies have already shown that organizations with a high
35
36 absorptive capacity are more likely to establish collaborations (GIULIANI and BELL 2005, BOSCHMA and TER
37
38 WAL 2007, MORRISON 2008). It leads us to include it as a control variable in the model.
39
40
41

42 The way proximity concepts have been turned into variables and how they have been measured will be
43
44 described below. Note that proximity variables depend on pair of organizations, and appear as five
45
46 different and not directed $n \times n$ matrices, where a binary measure of proximity is applied (1 if
47
48 organizations share a proximity and 0 if they do not), except for geographical proximity, where three
49
50 degrees are distinguished.
51
52

53 *Geographical proximity*

54
55 Geographical proximity is determined according to the co-location within the same spatial area. When
56
57
58
59
60

1
2
3 missing in the GNSS Supervisory Authority database, small size of the sample permitted to find postal
4 addresses of the organizations mainly on their own web sites, and sometimes directly on web sites of the
5 projects, to find for example the establishment of the engineers involved in the work package reports. If
6 doubts remain, it is coded as a missing data (96 addresses were finally found). Following the NUTS⁹
7 classification, three spatial areas are distinguished to determine the degree of geographical proximity,
8 i.e. same country (1), same NUTS 1 (2) or same NUTS 2 (3).
9

10 11 12 13 14 15 16 17 *Cognitive proximity*

18
19 Cognitive proximity occurs when organizations develop the same kind of knowledge according the
20 classification proposed by Vicente *et al.* (2010). This typology distinguishes four core competencies
21 (knowledge segments) within the GNSS industry: (i) the infrastructure segment with all the spatial and
22 ground infrastructures; (ii) the hardware segment, including all the materials and chipsets which receive,
23 transmit or improve the satellite signal; (iii) the software segment, including all the software applications
24 that use navigation and positioning data; (iv) the whole of applications and services segment, which
25 concerns many heterogeneous agents and socioeconomic activities where navigation and positioning
26 technologies are introduced. Indeed, it is assumed that two organizations share a cognitive proximity
27 (scored 1) if they share the same knowledge base (scored 0 if they do not).
28
29
30
31
32
33
34
35
36
37
38

39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 *Organizational proximity*

Two organizations share an organizational proximity if they belong to the same corporate group. A
corporate group is composed by parent companies, their subsidiaries and their different establishments.
This information is available on the websites of the different companies, most of the time directly
signalled, like Telespazio as “a Thales/Finmeccanica company”, or sometimes in a specific part dedicated
to their corporate governance or to the internal organization of the group they belong to.

Institutional proximity

1
2
3 Institutional proximity appears when organizations have the same institutional form according to the
4
5 triple helix model (ETZKOWITZ and LEYDESDORFF 2000), already used as a measure of proximity by PONDS *et*
6
7 *al.* (2007). The paper distinguishes among university (universities and public research centre), industry
8
9 (the firms), government (political organizations and spatial agencies) and a fourth helix (LEYDESDORFF and
10
11 ETZKOWITZ 2003) with the public (civil society, represented by non-profit organizations).
12

13 14 *Social proximity*

15
16 The paper measures social proximity through the geodesic distance 2 between two organizations (i.e. if
17
18 they have a partner in common), closely to the structural mechanism of transitivity, which leads to
19
20 network closure (BOSCHMA and FRENKEN 2009). Indeed, social proximity permits to control for transitivity,
21
22 a major structural mechanism (SNIJDERS *et al.* 2010) without using the transitive triplets effect,
23
24 inadequate to the structure of collaborative projects data¹⁰. Social proximity evolves each year, so three
25
26 matrices of geodesic distance 2 are distinguished in order to test if partners of partners in the year t , i.e.
27
28 who share a social proximity in t , are more likely to collaborate in $t+1$.
29
30
31

32 33 *Density effect*

34
35 The density effect considers the number of relations of each organization, measured by:
36
37

$$38 \quad S_i(x) = \sum_j x_{ij} \quad (5)$$

39
40 where $x_{ij} = 1$ indicates presence of a relation from i to j and $x_{ij} = 0$ indicates that i and j are not
41
42 linked.
43
44

45 46 *Absorptive capacity*

47
48 Absorptive capacity is measured according to the sum of scores of R&D sectoral intensity [according to
49
50 the OECD¹¹ classification: high-technology (4), medium-high-technology (3), medium-low-technology (2)
51
52 and low-technology industries (1)] and the size [according to the number of employees: 1 to 10 (1), 11 to
53
54 50 (2), 51 to 250 (3), 251 to 500 (4) and more than 501 (5)], rescaled from 1 to 6.
55
56

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Table 4 here

6. Empirical results

All parameter estimations of the model are based on 2000 simulations runs, conditional method of moments estimation is used, and convergence¹² is excellent for all models (t-values < 0.1). Table 5 summarizes the results of intermediate and final models¹³. Discussion of the results is presented below in order to consider specificities of the GNSS industry.

Table 5 here

The rate function presented in the first part of table 5 models the temporal progression of the GNSS collaboration network. This rate is defined in the simulation model as “the expected frequencies, between successive waves, with which actors get the opportunity to change a network tie” (SNIJDERS et al. 2010, p.51). The first result about the network dynamic shows that the general parameter ($\lambda_{t, t+1}$) is decreasing over the years. Its significance only means that changes occur in the network during the period. The decreasing expected number of changes induces the lower growth of the collaboration network, and means that there are fewer opportunities to change relationships in the last period than in the two previous ones. In order to consider that organizations may change their relations at a different frequency according to their positioning in the network, the last model tests the influence of the degree on this rate function. A positive and significant effect is found, and it indicates that organizations with a high degree have more opportunity to find new partners.

The second part of the table 5 is dedicated to explain the observed network changes, through the specification of the objective function. The density effect is negative and significant, which is generally the case for social networks, except for networks with an extremely high density. This structural control variable expresses the idea that there is an opportunity cost in the establishment of each relation. Thus, to decide to start collaboration, organizations have to be driven by other structural, individual or

1
2
3 proximity forces that compensate this cost.
4

5
6 In order to control for heterogeneity among individual characteristics of the organizations, the influence
7
8 of the absorptive capacity is estimated. Results show that it is a strong parameter for collaboration. This
9
10 effect means that organizations prefer to start partnerships when their absorptive capacity is high,
11
12 converging with the findings of other empirical studies (GIULIANI and BELL 2005, BOSCHMA and TER WAL
13
14 2007, MORRISON 2008). This result confirms the idea that organizations that absorb easily knowledge
15
16 from their environment are more interested to collaborate.
17

18
19 The first result about the influence of proximity shows that organizations prefer to start collaborations
20
21 when they share a geographical proximity. It clearly shows that geographical proximity matters in the
22
23 establishment of collaboration, because organizations are more likely to choose partners of the same
24
25 spatial area. The paper confirms here the findings of other empirical network studies (AUTANT-BERNARD *et*
26
27 *al.* 2007, PONDS *et al.* 2007), and more generally the idea that innovation and knowledge creation
28
29 processes require geographical proximity and face-to-face interactions. This result is all the more
30
31 interesting as one of the aims of the European Union in the FPs is precisely to try to avoid massive
32
33 collaborations between geographically close organizations in order to promote a European Research
34
35 area. This result demonstrates that geographical proximity still remains a strong vector of collaboration
36
37 for organizations of the GNSS industry that are localised in few clusters in Europe, and even when this
38
39 effect is controlled by the four other forms of proximity (see model 4 in table 5).
40
41
42
43

44
45 A second result confirms the proposition about the role played by organizational proximity, which is also
46
47 positively correlated with the establishment of new linkages. Organizations prefer to collaborate with
48
49 other organizations of their corporate group than with others. Besides the theoretical argument which
50
51 explains that organizational proximity develops trust and provides relevant information from the future
52
53 partner, and so avoids the risk of unintended knowledge spillovers, specificities of the GNSS industry and
54
55 collaborations within funded project are likely to increase the effect of organizational proximity. The
56
57

1
2
3 GNSS industry is strongly dominated by the two major competitors Thales Alenia Space and EADS
4
5 Astrium, which have themselves subsidiaries and many establishments in different European countries.
6
7
8 This kind of duopoly leads often, by nature, to find companies, subsidiaries or their establishment as
9
10 partners of the same projects. To collaborate preferentially with organizations of the same group can
11
12 also reveal a strategy to control knowledge creation and diffusion within the projects, but also to get a
13
14 maximum external R&D funding for the corporate group.
15
16

17 A third result demonstrates that social proximity measured through transitivity has a positive effect, but
18
19 the difference with organizations that do not share social proximity is not significant. It means that
20
21 organizations are not more likely to start collaboration with partners of partners, so it does not confirm
22
23 the proposition about the positive influence of social proximity. Indeed, even if we expect that
24
25 collaborations (geodesic distance = 1) develop social proximity between partners, it is not enough to
26
27 encourage partners of partners (geodesic distance = 2) to collaborate. Nevertheless, the paper does not
28
29 conclude that social proximity does not influence the relational changes in other collaboration networks.
30
31
32 In fact, this result shows that friendship, trust, or informal knowledge, i.e. the basis of social proximity,
33
34 are less likely to happen in multiple partners collaborations than in bi-lateral collaborations.
35
36

37 A fourth result demonstrates that the effect of cognitive proximity is not significant. Organizations do
38
39 not necessarily prefer to collaborate when they share the same knowledge base, in order to be able to
40
41 access also to external different knowledge. It is particularly true for this knowledge dynamic,
42
43 characterized by the fact that GNSS are technologies that find complementarities in many other
44
45 technological and socio-economic contexts, often interconnected around an emerging technological
46
47 window or standard (VICENTE and SUIRE 2007). Thus, organizations of the navigation by satellite industry
48
49 definitively require access to various knowledge bases, from infrastructure, hardware, software to more
50
51 general application and services knowledge. This accessibility of external different knowledge bases is
52
53 decisive for organizations, in order to be able to propose GNSS innovative solutions for a large variety of
54
55
56
57
58
59
60

1
2
3 sectors and applications. However, it has to be noticed that this result is strongly dependent on the way
4
5 cognitive proximity is measured, and other type of measure could lead to different results (NOOTEBOOM
6
7 *et al.* 2007; PAIER and SCHERNGELL 2008).

8
9
10 The last result concerns institutional proximity, and it is the third form of proximity that has a significant
11
12 and positive impact on the probability to collaborate. It means that organizations prefer to collaborate
13
14 with partners which belong to the same institutional form, as already shown by PONDS *et al.* (2007).
15
16 Institutional proximity favours collaboration because it is easier to collaborate when actors share the
17
18 same mode of working. Institutional proximity will not only help to communicate and to transfer
19
20 knowledge between partners, but also it will improve their coordination (KIRAT and LUNG 1999) and
21
22 successful collaborations because “when institutional proximity is high [...] collaboration takes place
23
24 within a common framework of incentives and constraints” (PONDS *et al.* 2007, p.427).
25
26
27

28 29 **7. Conclusion**

30
31
32 This paper analyzes the effects of proximity on the evolution of the GNSS collaboration network. This
33
34 contribution follows a recently opened research area (BOSCHMA and FRENKEN 2009), dedicated to the
35
36 articulation between research on proximity (BELLET *et al.* 1993, RALLET and TORRE 2001, BOSCHMA 2005)
37
38 and research on patterns of network evolution (SNIJDERS 2001, GLÜCKLER 2007). Indeed, the central
39
40 interest of this study was to identify how organizations choose their partners, with a special interest on
41
42 their proximity or distance. The empirical investigation took place in an emerging collaboration network,
43
44 based on projects funded by the European Union (FP6) within the navigation by satellite industry.
45
46

47
48 The contributions of this paper can be summarized in three points. Firstly, even if this paper is mainly
49
50 oriented toward empirical analysis, a major issue was to discuss theoretically about the definition and
51
52 the influence of proximity on the evolution of collaboration networks. Then, a second important effort
53
54 was dedicated to the measurement of geographical, organizational, institutional, social and cognitive
55
56

1
2
3 proximity. In fact, even if several typologies dedicated to the definitions of different forms of proximity
4 exist, relatively few papers focus on the way to measure it. Thereby, this paper contributes to give a
5 quick overview of existing measures and also tries to propose new ones, for the organizational and the
6 cognitive proximity. Finally, the way the statistical model is constructed, with five forms of proximity
7 included, but also where each form controls for the effect of each other furnishes original empirical
8 results.
9

10 The empirical results on the evolution of the GNSS collaboration network can be summarized as follows:
11 organizations prefer to start partnership when they share one or more forms of proximity, except for the
12 cognitive and social proximity, which have not a significant effect. Indeed, geographical, organizational
13 and institutional proximity favour collaborations. Cognitive proximity has not a significant effect on
14 collaboration, because organizations need not only partners with the same knowledge base but also to
15 access to different knowledge in the GNSS industry. Otherwise social proximity is less likely to happen in
16 projects with multiple partners than in bi-lateral collaborations.
17

18 This paper studies how organizations choose their partners according to their proximity. However, two
19 crucial questions for the research agenda about proximity dynamics are not developed in the paper.
20 First, the paper does not investigate how the different forms of proximity interact among each other. In
21 fact, even if the paper proposes to control the effect of each form of proximity on each other, it does not
22 show in what extent some forms can be substitutes (one form replaces another one), or complementary
23 (one form needs another one). Second, these different forms are considered as given data, like
24 explanatory variables of the evolution of the collaboration network. Put differently, the paper does not
25 explain where this degree of proximity comes from, and how it evolves¹⁴. A future interesting research
26 area may be found in the co-evolution of proximity and networks (MENZEL 2008, TER WAL and BOSCHMA
27 2009, TER WAL 2009). Thus, the central question will be to understand how proximity contributes to
28 create or dissolve collaborations, and at the same time, how these relations contribute to increase or
29

1
2
3 decrease the degree of proximity between organizations. This issue requires an important theoretical
4
5 contribution that will help to unravel the complex linkages of co-evolution. Then, it is also an empirical
6
7 challenge, in order to provide and compare results from other industries with different measures of
8
9 proximity dimensions.
10

11
12
13
14 **Acknowledgements** - We are grateful to Olivier Brossard, Ron Boschma, Ainhoa De Federico, Koen
15
16 Frenken, Tom Snijders, Jérôme Vicente, two anonymous referees and an anonymous editor for their
17
18 helpful suggestions. This research has received financial support from the EUODITE Project (Regional
19
20 Trajectories to the Knowledge Economy: A Dynamic Model, Sixth Framework Program, contract no
21
22 006187).
23
24
25
26
27

28 **Notes**

- 29
30
31
32
33 1. In the stochastic model proposed, calculations for statistical inference are too complex to be carried
34
35 out analytically (SNIJDERS et al. 2010).
36
37 2. Massive civil use of the American GPS really begun in May 1, 2000.
38
39 3. Spatial agencies, but also agencies for the security of air flight or railroad.
40
41 4. Detailed information can be found in VICENTE *et al.* (2010).
42
43 5. Centre National d'Etudes Spatiales.
44
45 6. Deutsche Zentrum für Luft- und Raumfahrt.
46
47 7. Community Research and Development Information Service (CORDIS): <http://cordis.europa.eu/>
48
49 8. GNSS Supervisory Authority (GSA): <http://www.gsa.europa.eu/>
50
51 9. The Nomenclature of Territorial Units for Statistics (NUTS) was established by the European Union
52
53 (Eurostat) in order to provide a standard classification of European spatial units.
54
55
56
57

1
2
3 10. Accounting transitive triplets to measure transitivity is inadequate to affiliations networks
4 constructed from bi-partite data (Robins and Alexander 2004) and leads to artificially high transitivity
5 parameter (by construction of the data, each project is a clique, where organizations are fully
6 connected).
7
8
9

10
11
12 11. OECD, ANBERD and STAN databases, May 2003.

13
14 12. The convergence indicates the deviations between simulated values and observed values.

15
16 13. For standards errors: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

17
18
19 14. Except for institutional proximity, static by nature as measured in the paper, all dimensions of
20 proximity are dynamics. Organizations are moving (geographical), financial (organizational) as well as
21 social ties (social) are changing and knowledge (cognitive) is a dynamic process.
22
23
24
25
26
27

28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

References

AHUJA G. (2000) Collaboration networks, structural holes, and innovation: A longitudinal study,
Administrative Science Quarterly **45**, 425-55.

AHUJA G., POLIDORO JR. F. and MITCHELL W. (2009) Structural homophily or social asymmetry? The
formation of alliances by poorly embedded firms, *Strategic Management Journal* **30**, 941 – 958.

ANTONELLI C. (2000) Collective knowledge communication and innovation: the evidence of technological
districts, *Regional Studies* **34**, 535–547.

AUDRETSCH D. and FELDMAN M. (1996) Knowledge Spillovers and the Geography of Innovation and
Production, *American Economic Review* **86**, 630-640.

AUTANT-BERNARD C., BILLAND P., FRACHISSE D. and MASSARD N. (2007) Social distance versus spatial distance
in R&D cooperation: Empirical evidence from European collaboration choices in micro and
nanotechnologies, *Papers in Regional Science* **86**, 495-519.

- 1
2
3 BALA V. and GOYAL S. (2000) A noncooperative model of network formation, *Econometrica* **68**, 1181-1229.
4
5 BALLAND P.A., SUIRE R. and VICENTE J. (2010) How do Clusters/Pipelines and Core/Periphery Structures
6
7 Work Together in Knowledge Processes?, *Papers in Evolutionary Economic Geography* 10-08, Section of
8
9 Economic Geography, Utrecht University.
10
11
12 BALTAGI B. H. (2008) Econometric analysis of panel data. Chichester, Wiley & Sons Ltd.
13
14 BAUM J.A., SHIPILOV A.V. and ROWLEY T.J. (2003) Where do small worlds come from? *Industrial and*
15
16 *Corporate Change* **12**, 697-725.
17
18
19 BELLET M., COLLETIS G. and LUNG Y. (1993) Économie des proximités, *Revue d'économie régionale et urbaine*
20
21 **3**, 357-606.
22
23
24 BOSCHMA R.A. (2005) Proximity and innovation: A critical assessment, *Regional Studies* **39**, 61-74.
25
26 BOSCHMA R.A. and FRENKEN K. (2006) Why is economic geography not an evolutionary science? Towards an
27
28 evolutionary economic geography, *Journal of Economic Geography* **6**, 273-302.
29
30
31 BOSCHMA R.A. and FRENKEN K. (2009) The spatial evolution of innovation networks: a proximity
32
33 perspective, *Papers in Evolutionary Economic Geography* **09-05**, Section of Economic Geography, Utrecht
34
35 University.
36
37
38 BOSCHMA R.A. and TER WAL A.L.J. (2007) Knowledge networks and innovative performance in an industrial
39
40 district: the case of a footwear district in the South of Italy, *Industry and Innovation* **14**, 177-199.
41
42
43 BOUBA-OLGA O. and GROSSETTI M. (2008) Socio-économie de proximité, *Revue d'Economie Régionale et*
44
45 *Urbaine* **3**, 311-328.
46
47
48 BOUBA-OLGA O. and ZIMMERMANN J.B. (2004) Modèles et mesures de la proximité, in PECQUEUR B. et
49
50 ZIMMERMANN J.B. (Eds), *Economies de proximité*, pp. 77-99. Hermès, Paris.
51
52
53 BRESCHI S. and LISSONI F. (2001) Knowledge Spillovers and Local Innovation Systems: A Critical Survey,
54
55 *Industrial and Corporate Change* **10**, 975-1005.
56
57
58
59
60

- 1
2
3 BRESCHI S. and LISSONI F. (2009) Mobility of skilled workers and co-invention networks: an anatomy of
4
5 localized knowledge flows, *Journal of Economic Geography* 9, 439-468.
6
7
8 BROSSARD, O. and VICENTE, J. (2007) Cognitive and relational distance in alliances networks: Evidence on
9
10 the knowledge value chain in the European ICT sector, *Summer DRUID Conference, Copenhagen, June*.
11
12 BURT R.S. (2004) Structural holes and good ideas, *American Journal of Sociology* **110**, 349-399.
13
14
15 CANTNER U. and GRAF H. (2006) The network of innovators in Jena: An application of social network
16
17 analysis, *Research Policy* **35**, 463–480.
18
19
20 CARRINCAZEAUX C., LUNG Y. and VICENTE J. (2008) The Scientific Trajectory of the French School of Proximity:
21
22 Interaction- and Institution-based Approaches to Regional Innovation Systems, *European Planning*
23
24 *Studies* **16**, 617-628.
25
26
27 CASSIMAN B. and VEUGELERS R. (2002) Spillovers and R&D cooperation: Some empirical evidence, *American*
28
29 *Economic Review* **92**, 1169–1184.
30
31
32 CHECKLEY M. and STEGLICH C. (2007) Partners in power: job mobility and dynamic Deal-Making, *European*
33
34 *Management Review* **4**, 161-171.
35
36
37 CHIB S. and GREENBERG E. (1996) Markov chain Monte Carlo simulation methods in econometrics,
38
39 *Econometric Theory* **12**, 409-431.
40
41
42 COHEN W. and LEVINTHAL D.A. (1990) Absorptive capacity: A new perspective on learning and innovation,
43
44 *Administrative Science Quarterly* **35**, 128–152.
45
46
47 COHENDET P., KIRMAN A. and ZIMMERMANN J.B. (2003) Emergence, formation et dynamique des réseaux,
48
49 *Modèles de la morphogenèse, Revue d'Economie industrielle* **103**, 15-42.
50
51
52 D'ASPROMONT C. and JACQUEMIN A. (1988) Cooperative and non-cooperative R&D in duopoly with
53
54 spillovers, *American Economic Review* **78**, 1133–1137.
55
56
57 DAVIS J.A. (1970) Clustering and hierarchy in interpersonal relations: testing two graph theoretical models
58
59 on 742 sociomatrices, *American Sociological Review* **35**, 843–852.
60

- 1
2
3 DE FEDERICO DE LA RUA A. (2004) L'Analyse Longitudinal de Réseaux sociaux totaux avec SIENA : Méthode,
4
5 discussion et application, *Bulletin de Méthodologie Sociologique* **84**, 5-39.
6
7
8 ETZKOWITZ H. and LEYDESDORFF L. (2000) The dynamics of innovation: from National Systems and "Mode 2"
9
10 to a Triple Helix of university-industry-government relations, *Research Policy* **29**, 109–123.
11
12
13 GAY B. and DOUSSET B. (2005) Innovation and network structural dynamics: Study of the alliance network
14
15 of a major sector of the biotechnology industry, *Research Policy* **34**, 1457–1475.
16
17
18 GILLY J.P. and TORRE A. (2000), *Dynamiques de Proximité*, L'Harmattan, Paris.
19
20
21 GIULIANI E. and BELL M. (2005) The Micro-Determinants of Meso-Level Learning and Innovation: Evidence
22
23 from a Chilean Wine Cluster, *Research Policy* **34**, 47-68.
24
25
26 GIULIANI E. and BELL M. (2008) Industrial Clusters and the Evolution of their Knowledge Networks: Back to
27
28 Chile Again, *Summer DRUID Conference*, Copenhagen, June.
29
30
31 GLÜCKLER J. (2007) Economic Geography and the Evolution of Networks, *Journal of Economic Geography*
32
33 **7**, 619-634.
34
35
36 GRANOVETTER M. (1985) Economic action and social structure: the problem of embeddedness, *American*
37
38 *Journal of Sociology* **91**, 481-510.
39
40
41 GROSSETTI M. and BES M.P. (2001) Encastrements et découplages dans les relations science-industrie,
42
43 *Revue française de sociologie* **42**, 327-355.
44
45
46 HAGEDOORN J. (2006) Understanding the cross-level embeddedness of inter-firm partnership formation,
47
48 *Academy of Management Review* **31**, 670-680.
49
50
51 HANSEN L.P. and SCHEINKMAN J.A. (1995) Back to the Future: Generating Moment Implications for
52
53 Continuous-Time Markov Processes, *Econometrica* **63**, 767-804.
54
55
56 HOLLAND P.W. and LEINHARDT S. (1971) Transitivity in structural models of small groups, *Comparative*
57
58 *Group Studies* **2**, 107-124.
59
60

- 1
2
3 HOLLAND P.W. and LEINHARDT S. (1977) A dynamic model for social networks, *Journal of Mathematical*
4
5 *Sociology* **5**, 5-20.
6
7
8 HOWELLS J.R.L. (2002) Tacit knowledge, innovation and economic geography, *Urban Studies* **39**, 871-884.
9
10 KIRAT T. and LUNG Y. (1999) Innovation and proximity - Territories as loci of collective learning processes,
11
12 *European Urban and Regional Studies* **6**, 27-38.
13
14
15 JACKSON M.O. and ROGERS B.W. (2007) Meeting strangers and friends of friends: How random are social
16
17 networks? *American Economic Review* **97**, 890-915.
18
19
20 JIN E.M., GIRVAN M. and NEWMAN M.E.J. (2001) Structure of growing social networks, *Physical review E* **64**,
21
22 046132.
23
24
25 KNOBEN J. and OERLEMANS L.A.G. (2006) Proximity and inter-organizational collaboration: a literature
26
27 review, *International Journal of Management Reviews* **8**, 71-89.
28
29
30 LAZEGA E., MOUNIER L., SNIJDERS T. and TUBARO P. (2008) Réseaux et controverses: de l'effet des normes sur
31
32 la dynamique des structures, *Revue Française de Sociologie* **49**, 467-498.
33
34
35 LEVY R., ROUX P. and WOLFF S. (2009) An analysis of science–industry collaborative patterns in a large
36
37 European University, *Journal of technology transfer* **34**, 1-23.
38
39
40 LEYDESDORFF L. and ETSKOWITZ H. (2003) Can “The Public” Be Considered as a Fourth Helix in University-
41
42 Industry-Government Relations? , Report of the Fourth Triple Helix Conference, *Science and Public Policy*
43
44 **30**, 55-61.
45
46
47 MADDALA G.S. (1983) *Limited-Dependent and Qualitative Variables in Econometrics*, third ed. Cambridge
48
49 University Press, Cambridge.
50
51
52 MASSARD N. and MEHIER C. (2009) Proximity and Innovation through an 'Accessibility to Knowledge' Lens,
53
54 *Regional Studies* **43**, 77-88.
55
56
57 McFADDEN D. (1973) Conditional logit analysis of qualitative choice behavior, In: ZAREMBKA, P. (Ed.),
58
59 *Frontiers in Econometrics*. Academic Press, New York, 105-142.
60

- 1
2
3 MCFHERSON M., SMITH-LOVIN L. and COOK J.M. (2001) Birds of a Feather: Homophily in Social Networks,
4
5 *Annual Review of Sociology* **27**, 415–44.
6
7
8 MENZEL M.P. (2008) Dynamic proximities: Changing relations by creating and bridging distances, *Papers in*
9
10 *Evolutionary Economic Geography* **08-16**, Section of Economic Geography, Utrecht University.
11
12
13 MORRISON A. (2008) Gatekeepers of knowledge within industrial districts: Who they are, how they
14
15 interact, *Regional Studies* **42**, 817–835.
16
17
18 NOOTEBOOM B. (2000) Learning by Interaction, Absorptive Capacity, Cognitive Distance and Governance,
19
20 *Journal of Management and Governance* **4**, 69-92.
21
22
23 NOOTEBOOM B., VANHAVERBEKE W., DUYSTERS G., GILSING V. and VAN DEN OORD A. (2007) Optimal cognitive
24
25 distance and absorptive capacity, *Research Policy* **36**, 1016-1034.
26
27
28 NORRIS J.R. (1997) Markov Chains, Cambridge: Cambridge University Press.
29
30
31 NORTH D. C. (1990) Institutions, Institutional Change and Economic Performance. Cambridge University
32
33 Press, Cambridge.
34
35
36 PAIER M. AND SCHERNGELL T. (2008) Determinants of collaboration in European R&D networks: Empirical
37
38 evidence from a binary choice model perspective, *SSRN Working Paper Series*, Rochester, NY.
39
40
41 PONDS R., VAN OORT F.G. and FRENKEN K. (2007) The geographical and institutional proximity of research
42
43 collaboration, *Papers in Regional Science* **86**, 423–443.
44
45
46 POWELL W.W., WHITE D., KOPUT K.W. and OWEN-SMITH J. (2005), Network dynamics and field evolution: the
47
48 growth of interorganizational collaboration in the life sciences, *American Journal of Sociology* **110**, 1132–
49
50 205.
51
52
53 RALLET A. and TORRE A. (2001) Proximité Géographique ou Proximité Organisationnelle ? Une analyse
54
55 spatiale des coopérations technologiques dans les réseaux localisés d'innovation, *Economie Appliquée* **4**,
56
57 147-171.
58
59
60

1
2
3 ROBINS, G. and ALEXANDER M. (2004) Small worlds among interlocking directors: Network structure and
4 distance in bipartite graphs, *Computational and Mathematical Organization Theory* **10**, 69-94.
5
6

7
8 SCHERNGELL T. and BARBER M. (2010) Distinct spatial characteristics of industrial and public research
9 collaborations: Evidence from the 5th EU Framework Programme, *The Annals of Regional Science*,
10 *forthcoming*. doi: 10.1007/s00168-009-0334-3.
11
12

13
14 SCHILLING M.A. and PHELPS C.C. (2007) Interfirm Collaboration Networks: the Impact of Large Scale
15 network structure on Firm Innovation, *Management Science* **53**, 1113-1126.
16
17

18
19 SNIJDERS T.A.B. (2001) The statistical evaluation of social network dynamics, In: SOBEL M. and BECKER, M.
20 (Eds), *Sociological Methodology*, pp. 361–395. Basil Blackwell, Boston and London.
21
22

23
24 SNIJDERS T.A.B. (2008) Longitudinal methods of network analysis , in Meyers B. (ed), *Encyclopedia of*
25 *complexity and System science*, Springer, Verlag, 2008.
26
27

28
29 SNIJDERS T.A.B., STEGLICH C., SCHWEINBERGER M. and HUISMAN M. (2007) Manual for SIENA version 3.1.,
30 Department of Statistics, University of Oxford.
31
32

33
34 SNIJDERS T.A.B., VAN DE BUNT G.G. and STEGLICH C. (2010) Introduction to actor-based models for network
35 dynamics, *Social Networks* **32**, 44-60.
36
37

38
39 STEGLICH C., SNIJDERS T.A.B. and PEARSON M. (2010) Dynamic Networks and Behavior: Separating Selection
40 from Influence, *Sociological Methodology*, *forthcoming*.
41
42

43
44 STEGLICH C., SNIJDERS T.A.B. and WEST P. (2006) Applying SIENA: An illustrative analysis of the co-evolution
45 of adolescents' friendship networks, taste in music, and alcohol consumption, *Methodology: Journal of*
46 *Research Methods for the Behavioral and Social Sciences* **2**, 48-56.
47
48

49
50 SUIRE R. and VICENTE J. (2009) Why do some places succeed when others decline? A social interaction
51 model of cluster viability, *Journal of Economic Geography* **9**, 381-404.
52
53
54
55
56
57

1
2
3 TER WAL A.L.J. and BOSCHMA R.A. (2009) Applying social network analysis in economic geography:
4
5 theoretical and methodological issues, *The Annals of Regional Science* **43**, 739-756.
6

7
8 TER WAL A.L.J. (2008) Cluster Emergence and Network Evolution: A longitudinal analysis of the inventor
9
10 network in Sophia-Antipolis, *Papers in Evolutionary Economic Geography* **08-10**, Section of Economic
11
12 Geography, Utrecht University.
13

14
15 TER WAL A.L.J. (2009) The dynamics of the inventor network in German biotechnology: geographical
16
17 proximity versus triadic closure, *Summer DRUID Conference*, Copenhagen, June.
18

19
20 TORRE A. (2008) On the role played by temporary geographical proximity in knowledge transmission,
21
22 *Regional Studies* **42**, 869-889.
23

24
25 VAN DE BUNT G.G. and GROENEWEGEN P. (2007) An actor-oriented dynamic network approach: the case of
26
27 interorganizational network evolution, *Organizational Research Methods* **10**, 463-482.
28

29
30 VICENTE J., BALLAND P.A. and BROSSARD O. (2010) Getting Into Networks and Clusters: Evidence on the GNSS
31
32 composite knowledge process in (and from) Midi-Pyrénées, *Regional Studies*, *forthcoming*. doi:
33
34 [10.1080/00343401003713340](https://doi.org/10.1080/00343401003713340).
35

36
37 VICENTE J. and SUIRE R. (2007) Informational cascades versus network externalities in locational choice:
38
39 evidence of ICT clusters formation and stability, *Regional Studies* **41**, 173-184.
40

41
42 WETERINGS A. (2005) Do firms benefit from spatial proximity? Testing the relation between spatial
43
44 proximity and the performance of small software firms in the Netherlands, *Netherlands Geographical*
45
46 *Studies* **336**, Utrecht.
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Projects		Organizations	
Number of projects	66	Number of organizations	104
Number of organizations per project	5.47	Number of project per organizations	3.47
Standard error	4.66	Standard error	2.43
Minimum	1	Minimum	2
Maximum	23	Maximum	17

Table 1. Descriptive statistics of the longitudinal data

For Peer Review Only

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Observed period	0→0	0→1	1→0	1→1	Missing
2004-2005	4758	413	61	124	0
	89%	8%	1%	2%	0%
2005-2006	4455	364	139	398	0
	83%	7%	3%	7%	0%
2006-2007	4367	227	215	547	0
	82%	4%	4%	10%	0%

Table 2. Network changes

For Peer Review Only

Observation time	Nodes	Links	Average degree	Density
$t_1 = 2004$	104	185	3.592	0.035
$t_2 = 2005$	104	537	10.427	0.100
$t_3 = 2006$	104	762	14.796	0.142
$t_4 = 2007$	104	774	15.029	0.145

Table 3. Structural network characteristics

For Peer Review Only

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Variable	Operationalization	Valuation
Density	Out degree	0 to n-1
Absorptive capacity	Size + R&D	1 to 6
Geographical proximity	NUTS classification	0 to 3
Organizational proximity	Financial link	0/1
Social proximity	Geodesic distance 2	0/1
Cognitive proximity	Knowledge bases	0/1
Institutional proximity	Triple helix	0/1

Table 4. Operationalization and measurement of variables

Peer Review Only

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

For Peer Review Only

	Model 1 (N=104)	Model 2 (N=96)	Model 3 (N=96)	Model 4 (N=96)	Final Model (N=96)
<i>Rate function</i>					
Rate $\lambda_{2004-2005}$	12.426 ^{***} (0.632)	13.908 ^{***} (0.720)	14.024 ^{***} (0.780)	14.030 ^{***} (0.759)	9.987 ^{***} (0.488)
Rate $\lambda_{2005-2006}$	11.578 ^{***} (0.542)	12.390 ^{***} (0.598)	12.393 ^{***} (0.601)	12.454 ^{***} (0.581)	7.536 ^{***} (0.355)
Rate $\lambda_{2006-2007}$	9.100 ^{***} (0.422)	9.434 ^{***} (0.465)	9.411 ^{***} (0.452)	9.400 ^{***} (0.465)	5.250 ^{***} (0.245)
Degree effect on rate					0.031 ^{***} (0.007)
<i>Objective function</i>					
Density	-0.327 ^{***} (0.024)	-0.349 ^{***} (0.024)	-0.357 ^{***} (0.029)	-0.360 ^{***} (0.030)	-0.275 ^{***} (0.028)
Absorptive capacity		0.167 ^{***} (0.019)	0.161 ^{***} (0.019)	0.152 ^{***} (0.020)	0.145 ^{***} (0.019)
Geographical proximity		0.088 ^{***} (0.026)	0.086 ^{***} (0.026)	0.088 ^{***} (0.026)	0.086 ^{***} (0.026)
Organizational proximity			0.364 ^{**} (0.153)	0.324 ^{**} (0.162)	0.293 [*] (0.156)
Social proximity (transitivity)			0.024 (0.049)	0.022 (0.048)	
Cognitive proximity				0.001 (0.039)	
Institutional proximity				0.108 ^{***} (0.041)	0.100 ^{**} (0.041)

Table 5. Estimation Results: parameter estimates and standard errors

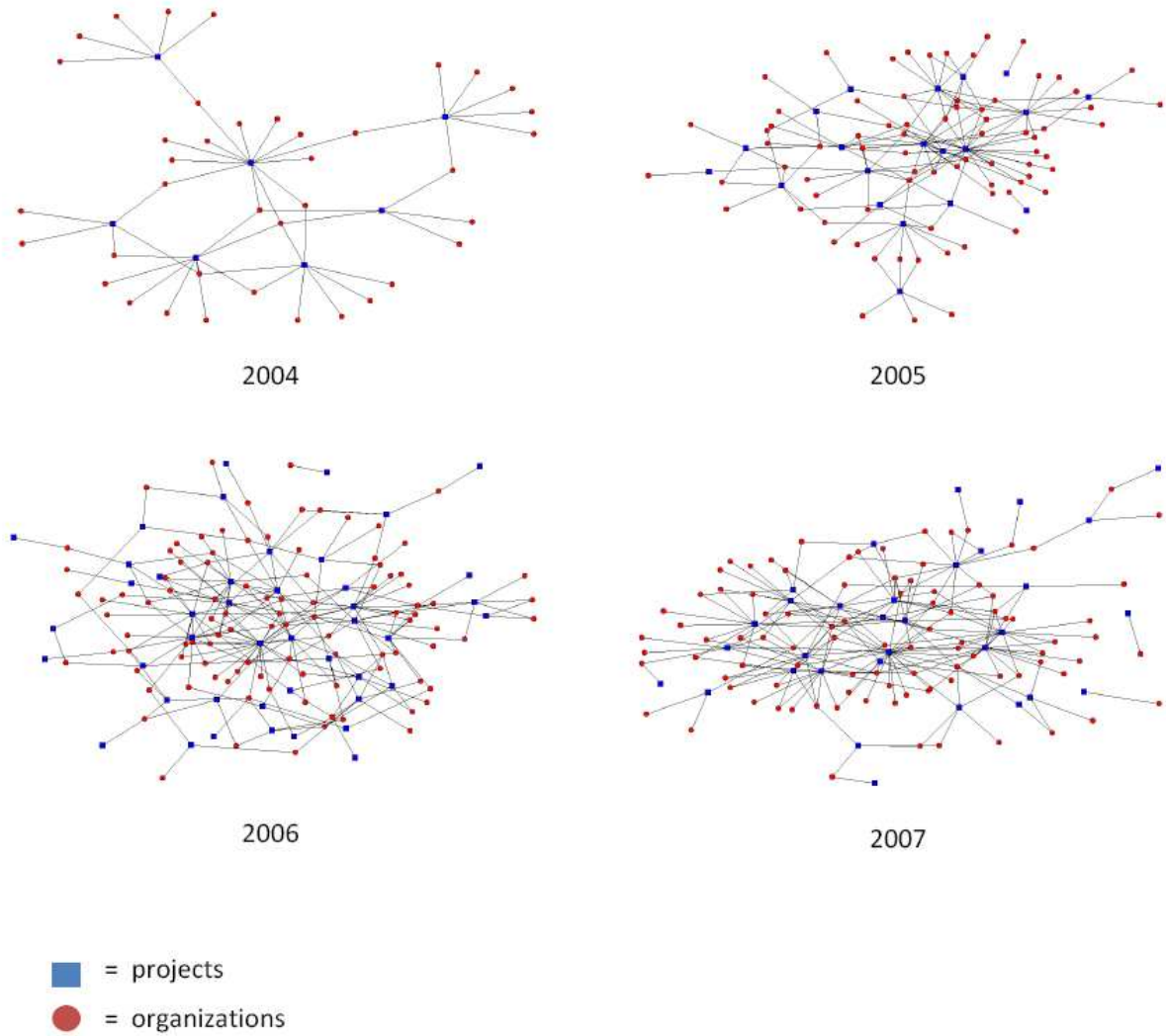


Figure 1. Evolution of the GNSS collaboration network