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Innovation Networks and Cross-Border Knowledge Flows Under Geopolitical Fragmentation: Governance Fit, Modularity, and Interoperability

Abstract

Background: Cross-border innovation is increasingly shaped by geopolitical rivalry, export controls, sanctions compliance, data localization, and selective decoupling. These forces do not simply reduce global connectivity; they reconfigure how innovation networks form, govern exchange, and learn across borders. Methods: This review integrates scholarship on interorganizational networks, global value chains, innovation systems, and economic geography. A multilevel framework links policy shocks to tie-level frictions, network restructuring, and firm learning outcomes. **Results:** Fragmentation changes cross-border knowledge flows through three mechanisms: (1) compliance friction that lowers tie bandwidth and slows joint problem-solving; (2) constraints on talent mobility and data movement that weaken tacit knowledge transfer; and (3) standards divergence that reduces interoperability and increases coordination costs. Firms respond by rewiring partner portfolios, modularizing R&D, using clean-room collaboration for regulated data and IP, and regionalizing innovation activity with redundancy. **Conclusions:** Post-fragmentation performance depends less on network size and more on governance fit. Firms that match knowledge type with appropriate governance (modularity, controlled interfaces, selective deep ties, and auditable collaboration) are better positioned to protect critical knowledge while sustaining exploratory learning.

Keywords: fragmentation; innovation networks; knowledge flows; export controls; standards; modular R&D; interoperability; governance

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1. Introduction

Innovation networks rely on the mobility of people, ideas, data, and components. Under geopolitical fragmentation, these channels become conditional: who can collaborate, what can be shared, and which standards and infrastructures are permissible may shift abruptly. Fragmentation is therefore best treated as a change in constraints rather than a binary state of connection versus disconnection. Innovation networks create value by enabling repeated exchange, recombination, and cumulative learning. Absorptive capacity theory emphasizes that firms benefit from external knowledge when they can recognize, assimilate, and apply it. Network research further shows that both weak and strong ties matter, shaping access to diverse ideas and deep problem-solving. Fragmentation intervenes in these mechanisms by increasing the costs, risks, and governance burdens of cross-border ties.This review advances a central argument: fragmentation changes network advantage by reducing the effective bandwidth of collaboration and by increasing the strategic value of governance design. Modular architectures, controlled interfaces, and selective deep ties become critical tools for sustaining learning under constraint.

2. Materials and Methods

This paper adopts a structured narrative review design informed by systematic reporting principles for transparency. The review synthesizes work across:

1. interorganizational networks and alliance governance,
2. global value chains and cross-border production/innovation,
3. innovation systems and economic geography,
4. institutional constraints, including export controls, sanctions exposure, data localization, and standards governance.

2.1 Coding framework

Studies were coded by:

- **Unit of analysis:** tie, network, firm, region/policy regime.
- **Knowledge type:** tacit vs. codified; data vs. know-how; sensitive vs. non-sensitive.
- **Constraint type:** legal restrictions, operational compliance burdens, data localization, and standards divergence.
- **Outcomes:** tie intensity, network restructuring (clustering, modularity), and learning/ performance (speed, novelty, resilience).

3. Results: Mechanisms linking fragmentation to knowledge flows

3.1 Compliance friction reduces tie intensity and learning speed

Fragmentation raises the compliance load of cross-border collaboration through partner screening, end-use controls, documentation, audits, and monitoring. Even when ties remain legal, the added friction slows iteration cycles, reduces informal exchange, and narrows collaboration scope. The likely network effect is a shift toward fewer, more governable ties and a reallocation from open-ended collaboration to auditable exchange.

3.2 Constraints on talent and data weaken tacit knowledge transfer

Tacit knowledge travels through people, shared practice, and repeated interaction. Restrictions on mobility and data transfer reduce co-development and mutual adjustment, pushing learning toward codified outputs (documentation, modular specifications, controlled datasets). Firms may preserve productivity for standardized tasks, but exploratory spillovers often weaken as collaboration becomes more bounded and formalized.

3.3 Standards divergence reduces interoperability and increases coordination costs

Standards and shared protocols function as enabling infrastructure for innovation. When standards diverge, compatibility declines, coordination costs rise, and diffusion slows. Fragmentation can lead to parallel ecosystems and regional clustering. While redundancy can increase resilience, the system-level cost may include duplication and reduced global spillovers.

4. Adaptive responses: How firms reconfigure innovation networks

4.1 Network rewiring and portfolio regionalization

Firms diversify partner portfolios, shift collaborations toward lower-volatility jurisdictions, and use connector hubs to maintain access while reducing exposure. This improves resilience but can limit access to frontier knowledge if networks become too localized.

4.2 Modularization of R&D and separable IP architectures

Modular R&D becomes a governance tool. By partitioning R&D into separable modules with defined interfaces, firms reduce unintended leakage and enable distributed development across constrained borders. The trade-off is higher integration cost and potential rigidity that can slow system-level innovation.

4.3 Clean-room collaboration and controlled interfaces

Clean-room collaboration supports joint work on sensitive IP and regulated data through controlled access, audited environments, and constrained outputs. This can sustain cross-border learning under constraint, but typically reduces tacit transfer and slows experimentation.

4.4 Redundancy with selective deep ties

A common post-fragmentation design is hybrid: redundancy for resilience combined with selective deep ties for high-value learning. This structure aims to protect critical knowledge while maintaining exploratory capacity where governance permits.

5. Discussion

5.1 Governance fit as the source of advantage

Fragmentation shifts the basis of network advantage from scale to fit. Effective networks align knowledge type with governance mechanisms:

- **Tacit, complex knowledge:** best supported by selective deep ties and repeated interaction, but vulnerable to mobility limits.
- **Codified, modular knowledge:** can move through auditable channels and controlled interfaces, at the cost of integration overhead.
- **Sensitive knowledge and regulated data:** requires clean-room collaboration, which protects compliance but can reduce exploratory learning.

5.2 Managerial and policy implications

Managers should treat compliance, modular boundaries, and auditable interfaces as core components of innovation design. Partner portfolios should balance resilience (redundancy) with learning (deep ties). **Policymakers** should recognize that interoperability and predictable compliance channels reduce unnecessary friction. Where restrictions are necessary, clarity and standard-setting coordination can limit innovation losses.

5.3 Research agenda

Future research should test:

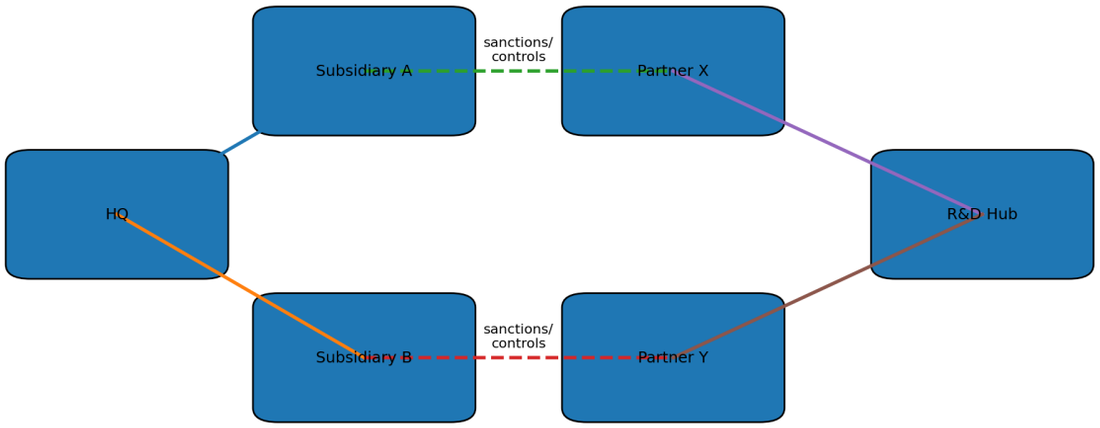
1. when modular architectures substitute for trust and when they complement it,
2. causal effects of clean-room collaboration on novelty and speed,
3. long-run consequences of standards divergence on diffusion and cumulative innovation,
4. how brokerage, closure, and tie strength change in value under fragmentation.

6. Conclusions

Cross-border innovation does not vanish under fragmentation; it is re-engineered. Fragmentation reshapes knowledge flows through compliance friction, constrained mobility of people and data, and standards divergence that reduces interoperability. Firms adapt by rewiring networks, modularizing R&D, using clean-room collaboration, and regionalizing portfolios with redundancy.

The central conclusion is governance fit: post-fragmentation innovation depends less on network size and more on aligning knowledge type with governance mechanisms that protect critical assets while sustaining exploratory learning.

Figure 1 (Conceptual)



Dashed ties represent disrupted cross-border knowledge channels after fragmentation.

Disrupted cross-border knowledge ties in an innovation network after fragmentation. A conceptual illustration comparing pre-fragmentation dense cross-border ties with post-fragmentation patterns: fewer cross-border ties, regional clustering, interface nodes for modular boundaries, and clean-room links for audited collaboration.

Table 1. Governance mechanisms for cross-border knowledge flows after fragmentation

Mechanism	Constraint addressed	Typical tools	Main trade-off
Partner screening	Sanctions/export-control exposure	KYC/UBO checks, end-use certification, audits	speed vs. assurance
Modular R&D	Restricted knowledge sharing	separable modules, interface standards, compartmentalization	integration cost
Clean-room collaboration	Sensitive IP/data limits	controlled access, audited environments, constrained outputs	reduced tacit learning
Regionalization	Political/regulatory uncertainty	nearshoring, regional consortia, redundancy	reduced global spillovers

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Data curation (coding framework): O.B.
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The author declares no conflict of interest.

Limitations

This review is limited by selection effects inherent to literature synthesis, rapid policy evolution that can outpace publication cycles, sector heterogeneity in modularity and regulation, and the need for stronger causal evidence on the innovation consequences of clean-room collaboration and standards divergence.

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