Building Social Capital for Internationalization: A Study of Internationalizing British and Indian Partner SMEs

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Propósito Central do Trabalho:
Access to networks is considered as an important factor in the internationalization of SMEs, which lack resources to move internationally. Early studies on network access were dominated by a business perspective. However, later studies realized the importance of entrepreneurs in network studies. Through their existing experience and network relationships, they facilitate entry into foreign markets by offsetting the time and resource constraints. The relationship and network of entrepreneurs lend a social dimension to networks, a recognition of which led to the social network approach. Access to social networks forms the basis of social capital. In line with Nahapiet and Ghoshal (1998), for the purpose of this paper, we define social capital as social relationships that provide an actual or potential benefit to companies. While there are several sources indicating how social capital can trigger and foster internationalization, not much is known about how SMEs develop and maintain social capital per se. Not much is discussed about the intrinsic changes in the nature of social capital and its contribution in the internationalization of SMEs. Therefore, the main aim of this study is to investigate how British and Indian SMEs developed the social capital required for their internationalization.

Marco Teórico:
The literature on the role of social capital in the internationalization of firms has focused on how social capital initiates and enhances firms’ internationalization than on how social capital is developed. In other words, intrinsic changes in the nature of social capital and its contribution have not been studied with reference to SMEs internationalization as a staged process. Child and Rodrigues (2011) suggest that SMEs, due to their limited resources and liability of smallness, enter foreign markets mainly with the support of a mediator or networks. They mentioned that SMEs learn about external complexities through trustworthy relationships. This highlights the importance of developing and maintaining close personal relationships. As Welch and Welch (1996) mentioned, SME’s business relationships are likely to contain both a business and a social content, which enhances their adaptation. The mutual adaptations inherent to business dyads also involve the development of social goodwill and the building up of knowledge linkages. Social capital reduces the cost of transferring information by using social relationships embedded on a particular social network (Nahapiet and Ghoshal, 1998), thereby easing the process of knowledge sharing. The social capital derived from business interactions in a given country may also contribute towards further international expansion. This can involve two main processes: (1) the joint identification of opportunities; and (2) referrals. Johanson and Vahlne, (2006) observed that new-country opportunities may be exploited by both partners or just by one of them. In many cases opportunity recognition will involve the identification of local partners in the market concerned. The choice of such partners may be influenced by former social/business links on that market (Ellis and Pecotich, 2001). Referrals can be a significant item of information in business life. The working of business networks and the involvement of a given firm in several networks foster bridging procedures to fill structural holes. In international business such holes are not necessarily filled by the bridging organisation. Another effect of referrals is to increase credibility and legitimacy. Previous studies have mainly adopted an instrumental view of social capital, focusing on how it mediates access to resources. Relatively few studies have focused on the changes in the nature and contributions of social capital (dynamic nature) related to SMEs internationalization. Nonetheless, firm conclusions on this issue still have not
been reached. This suggests a fruitful line of enquiry to be followed—i.e. how the nature and contribution of social capital may change according to the phase of internationalization.

Método de investigação se pertinente:
This study adopts a qualitative “mirror” method to address the role of social capital in SMEs internationalization. The qualitative mirror method involved collecting qualitative interpretations held by small firm partners from two different countries. The sample comprised the leading managers of 30 British SMEs and their partners in India, from 60 companies in total. We focus on the dyadic relationship between them, and use the term ‘social capital’ to refer to relations between Indian and UK partners that served as assets (capital) to facilitate their internationalization. The British and Indian samples included both manufacturing and service sectors. Interviews were conducted in English. Each lasted between 60 to 90 minutes. The dynamics of social capital were investigated by asking the respondents to provide a retrospective perspective of how the social capital relevant for their companies’ internationalization evolved over time. Each interview was tape-recorded in order to obtain a complete and accurate record of respondents’ emerging narratives. In what follows, we first look at the initiation of social capital relevant to British and Indian companies. Then we discuss how these relationships developed over time. The final section explores whether these relationships reach what might be called a ‘mature’ stage—and how they are successfully maintained. The coding of responses was conducted in consultation with two other researchers who examined the information, in order to improve the validity and reliability of the outcomes. The study’s objectives also informed the categories for coding. Following an iterative and subjective coding process, the similarity and differences between the responses were identified.

Resultados e contribuições do trabalho para a área:
The social capital initiation associated with the internationalization of British and Indian SMEs involves creating a new relationship or using their existing relationships. More than 60% of the companies in this study used their existing relationship in the form of managers’ prior experience, ethnicity and network relationship such as personal, commercial and institutional connections. Social capital initiated through, or built on, existing relationships generally associated with a higher level of commitment to internationalization whereas initiation through creating a new relationship is characterized by a lower level of commitment to international business such as export/import or outsourcing. More than 80% of the Indian manufacturing firms that internationalized in the 1980s initiated their social capital through trade fairs in which they could enter into new relationships with agents in the UK market. The Indian textile products enjoyed a huge demand in the UK market during that period but due to the limitations in transportation, communication, experience and other resources, direct foreign market entry and dealing with clients were difficult for these companies. So they adopted the ‘piggy back’ approach of supplying to already established firms or distributors in the UK market. These relationships helped Indian SMEs to offset their limitations to a great extent and provided access to foreign market. The stage of social capital development that firms are likely to have reached varies according to the social capital initiation mode. Generally, firms that create a new relationship for their internationalization find the process much lengthier and difficult compared with firms that use their existing social capital. The level of trust between the firms influences the nature and patterns of interactions between them. These draw attention to the relational dimension aspect of social capital, which characterizes trust and closeness. The presence of an existing relationship ensures greater level of closeness between partners and that facilitates the development of trust and norms. As mentioned earlier, social capital development involves increasing levels of interaction and
mutual understanding between partners. The decision-makers’ responses indicate that these interactions can take a number of forms such as communication, personal relations, socializing, and it is facilitated by hiring ethnic origin people, training and having compatible goals. Another characteristic of this stage is the exchanging of contracts following the development of a relationship. These help offset the issues of uncertainty and psychic distance and ensure greater level of communication and between partners, to understand about each other and develop personal relationship. Trust ensures a high level of mutual interdependence, which is essential for the development of social capital. The maturity stage is characterized by stable relationships, which are of high quality interpersonal and informal relationship. This stable stage shows considerable accumulation of goodwill trust in the form of identifying each another’s interests and emotions. The stability ensures continuity in relationships that augment mutual obligations between firms and further development of trust and cooperation. Overall, this investigation shows that social capital is not a static resource but a dynamic and potentially cumulative social phenomenon which is initiated, deepened, reproduced and extended over time, and the fostering of each of these requires different social and personal interventions, such as personal communication and understanding about each other, interpersonal trust and sustaining personal bonding.

Referências bibliográficas: