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Facilitation of links between multinational subsidiaries and SMEs: The Scottish Technology and Collaboration (STAC) initiative

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Abstract

Multinational subsidiaries constitute a potential source of social capital for SMEs that can help in the internationalisation process. Such social capital is particularly valuable because it is a form of bridging (socially heterogeneous), rather than bonding (socially homogenous), social capital, and therefore could potentially lead to new information, ideas and opportunities. However, even in the best situations, limits on information exchange and trust hamper collaboration between SMEs and MNC subsidiaries. Facilitation by a neutral agency may help to overcome these barriers. This paper presents the case of the Scottish Technology and Collaboration (STAC) initiative as an illustration of the facilitation process—comprising architecting, brokering and coaching—and its outcomes, chiefly the formation of social capital, which in turn has the potential to lead to knowledge outcomes and ultimately internationalisation for the SME. This case reveals important implications for both policy and theories of SME internationalisation, especially the need to recognize and lever under-utilized sources of social capital.

Keywords: Multinational subsidiary; SME; Social capital; Public policy; Internationalisation; International entrepreneurship; Collaboration

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1. Introduction

The phenomenon of "born globals" and more generally the pace and pattern of internationalisation by SMEs is an important topic at the intersection of research in entrepreneurship (Zahra & George, 2002a), international business (Dimitratos & Jones, 2005) and strategy (Hitt, Ireland, Camp, & Sexton, 2001). Of importance in the international entrepreneurship literature is the notion of accessing resources through social capital in networks of relationships (e.g., Johanson & Mattsson, 1988; McNaughton & Bell, 1999). Indeed, social capital is frequently cited as playing a role in both knowledge creation (Eriksson & Chetty, 2003) and accessing international markets (Yli-Renko, Autio, & Tontti, 2002), especially in the context of knowledge-intensive sectors (Sharma & Blomstermo, 2003).

A limitation of the extant literature is that *sources* of social capital have received little attention. Different sources may yield different types of social capital—for instance, bonding (from socially homogeneous ties) or bridging (from socially heterogeneous ties) social capital (Davidsson & Honig, 2003; O'Brien, Philips, & Patsiorvokovsky, 2005). Putnam (2000, p. 22) asserts that "of all the dimensions along which forms of social capital vary, perhaps the most important is the distinction between *bridging* (or inclusive) and *bonding* (or exclusive)". Bridging ties may foster novel ideas, knowledge and opportunities that are valuable to internationalising SMEs; yet, they tend to be geographically distant and difficult to access (McEvily & Zaheer, 1999). However, certain ties may be *local yet bridging* in nature for SMEs—such as ties with local MNC subsidiaries—that appear overlooked by researchers (and perhaps, practitioners) who focus on network relationships between SMEs rather than between SMEs and large MNCs (Etemad, Wright, & Dana, 2001).

Research from the perspective of MNC subsidiaries finds that subsidiaries tap into rich local networks such as those that locate within industrial clusters (Birkinshaw & Hood, 2000), and disseminate locally assimilated knowledge within the wider enterprise (Moore & Birkinshaw, 1998). These characteristics are especially associated with "metanationals" that actively leverage local resources for global advantage (Doz, Santos, & Williamson, 2001).

The thesis of this paper is that relationships between SMEs and the local subsidiaries of MNCs are bridging (yet local) ties that have considerable potential to yield social capital benefits for knowledge-intensive SMEs. However, bridging social capital is, by definition, more difficult to develop in comparison to bonding social capital. Moreover, limitations of time and resource may result in SMEs under-investing in social capital. Therefore, public intervention is often desirable to promote relationships that can contribute to the growth and internationalisation of local firms (McNaughton & Bell, 2001).

A case study of the Scottish Technology and Collaboration (STAC) illustrates this argument. STAC facilitates relationships between local SMEs and subsidiaries of MNCs, *creating social capital* that SMEs can lever as part of their internationalisation process. The paper proceeds by reviewing literature pertaining to SME internationalisation, MNC subsidiaries and formation of social capital between firms. Subsequent sections describe the method employed and the findings of the case study. The final section presents conclusions and their implications for future research, practice and policy.