

**The interplay between social capital and international opportunities: a processual study of international ‘take-off’ episodes in Chinese SMEs**

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**ABSTRACT**

The paper presents a processual analysis of international take-off episodes in Chinese SMEs. In considering the dynamics of pre-internationalization, the paper posits four temporally finer-grained, *phases* based on an actor’s orientation towards international opportunities. Based on a sample of twenty Chinese SMEs, the paper theorizes 12 temporally fine-grained take-off *episodes*, or which appear in practice as a series of tactical moves through which Chinese SMEs advance through the four phases in the longer pre-internationalisation of the process. By considering the multi-dimensional nature of social capital in international take-off, the findings contribute to a greater understanding of how forming international relationships work in the context of pre-internationalization in SMEs, also adding insights into the dynamics of internationalisation as an entrepreneurial and networked endeavour.

Key words: internationalization, social capital, process theory, opportunity, SMEs, China.

## **1.0: Introduction**

In the extant internationalization literature, there is only a limited amount of work examining early internationalisation and there is a general lack of true processual studies investigating and conceptualizing its dynamics over time (Welch & Paavilainen-Mäntymäki 2014). Instead, most studies view internationalization as a linear and regular phenomenon (Vissak & Francioni, 2013). Welch and Paavilainen-Mäntymäki (2014) highlight the existence of this weakness and find that many studies and scholars use the term ‘process’, but do not empirically study the process as it unfolds over time. A recent special issue of *Management International Review* (Welch et al., 2016) tries to fill the gap, but it is surprising that to date, the majority of studies using the two main versions of the Uppsala School of Internationalisation (Johanson & Vahlne, 1977, 2009) have underemphasized process in their conceptualizations.

We address this neglect by building on the models suggesting that the main process during internationalisation takes place in network of relationships with various actors in the foreign market (Johanson & Vahlne, 1990, 2009), and where a continuous interaction between the firm’s position in the network and opportunity development drives the process. In order to understand the network process we turn to the specific stream of network studies building on social capital theory. This conceptual body of work has previously been applied in several studies (e.g., Agndal et al., 2008; Lindstrand et al., 2011; Prashantham et al., 2015), but without a focus on process. Consequently, we blend theory from two distinct bodies of ideas, first, the work on social capital (Burt, 1992; Coleman, 1988) – and as deployed more recently in Industrial Marketing (IM) scholarship (Eklinder-Frick et al., 2011, 2012, 2014); and second, the later versions of the Uppsala School of Internationalisation (e.g., Johanson & Vahlne, 2009; Vahlne & Johanson, 2013) and specifically the more recent work examining

pre-internationalization activity of small firms – referred to as take-off episodes (Jansson & Söderman, 2012) developed under the assumptions of this later theorizing.

At the intersection of these two bodies of work lies our interest in the interplay between social capital and international take-off. We contend that opportunity development is not only a question of identifying and/or creating an opportunity, but that in deploying a processual lens further requires considering the absorbing, integrating and rejecting of international opportunities (Agndal et al., 2008). We agree with Ellis (2011:101) when he notes that “the question of how international opportunities are identified remains under-explored.” He remarks on the importance of social networks in the innovative identification of international opportunities. We are interested therefore in how social capital dynamically affects and is in turn recursively affected by international opportunity identification and creation.

Taking into account the dynamics and turbulence of emerging economies, they seemed to make up a suitable context for our study and we selected SMEs for the empirical study. Work considering the institutional context of emerging economies has discussed how entrepreneurs overcome weak formal institutions with reference to informal networks of relationships (Tracey & Phillips, 2011). Our choice of peripheral regions of China is therefore purposeful to maximise the potential of gaining insight into the role of informal (social) mechanisms over formal mechanisms in the process of international take-off. The key contribution of this paper is therefore to gain insight into how social capital interacts with international opportunity development in SMEs’ international take-off episodes and we join a stream of processual research stemming from contention that internationalization can be a by-product of a firm’s ‘positioning’ and opportunity recognition within networks. Based on these observations, we identify several gaps, which we aim to close.

*First*, we find no processual studies that specifically examine the interplay between social capital and international opportunity identification and creation in international take-off. Although change of the nature is a common topic (e.g., Chetty & Agndal, 2007; Lindstrand et al., 2011), process as a flow of folding and unfolding episodes and sequences, where social capital is both influencing and is influenced by internationalization, seems absent in the literature. We focus on the process of *becoming* aware of international opportunities.

*Second*, there are no studies with the explicit focus on early internationalization as an emergent, entrepreneurial process. Some early work in the Uppsala tradition examined pre-internationalisation behaviour (Wiedersheim-Paul et al., 1975), but little work has subsequently revisited this area of study (Tan et al., 2007). We feel this is due to the highly subjective and largely undocumented (often serendipitous) nature of its formation. It is here we particularly see a potential in exploring the interplay between local bonding and international bridging social capital. Jansson and Söderman (2012) discuss this process of transformation from indigenous to international as international *take-off*.

*Third*, although social capital theory has previously been applied in the internationalisation literature (e.g., Lew et al., 2013; Prashantham & Birkinshaw, 2015), we find only one study (Lindstrand et al., 2011) that has considered social capital as a multi-dimensional concept in the process of internationalization, but this study was conducted in a developed economy and did not explicitly address pre-internationalization activity. Neither did this study discuss the role played by bridging and bonding forms of social capital. Usually, social capital is defined as a type of tie; for instance, ethnic and non-ethnic ties, host-country and home country ties, family members' and directors' relationships while another stream analyses the relational, structural and cognitive dimensions of social capital.

*Fourth*, with few exceptions (Zaefarian et al., 2016), studies do not link social capital to emerging opportunity creation, rather than only opportunity identification during international take-off as an interactive, emergent and episodal process. We contend that process entails finding, not finding and rejecting already found opportunities – such as rejecting domestic opportunities in favour of international opportunities. Based on the four gaps presented above, this paper serves to analyse how the multi-dimensional aspect of bridging and bonding social capital affects the process of opportunity development in the internationalization take-off episodes of Chinese SMEs.

The paper is structured as follows. First, we outline the nature of social capital and explore it as a multi-dimensional concept. We next briefly explicate the principles of the Uppsala internationalisation approach and developments. Subsequently, we discuss social capital and opportunity development in relation to internationalization. After briefly outlining our methodological approach we present our findings, structured around the four identified phases of pre-internationalization. We then present the findings of the study utilizing narrative, temporal bracketing and visual process mapping approaches to process theorizing.

## **2.0: Literature review**

We next outline the principles of the two bodies of work on which we base our contributions, social capital and incremental internationalization.

### **2.1: The multi-dimensional nature of social capital**

The concept of social capital has been at the core of social science theory and research for several decades (Hewapathirana, 2014). However, the body of work has been criticised as still lacking definitional coherency (Huber, 2009) and being prone to conflating analysis at different levels, or for mixing findings contained in different dimensions of social capital

(Eklinder-Frick et al., 2014). Nahapiet and Ghoshal (1998:244) propose that social capital is a concept describing the “impersonal configuration of linkages between people or units,” in which they define a *structural* dimension of social capital as the overall pattern of relationships between actors in networks. The strength of relationships within these networks indicates relational quality or proximity manifested in more micro-level embedded dyads (Larson, 1992). This is a dimension in which Nahapiet and Ghoshal (1998) further discuss as relational embeddedness (a relational dimension) of actors in networks and the kinds of personal relationships that individuals collectively build with each other through historical interactions (see Granovetter, 1992).

A further dimension also takes in a *socio-economic* perspective (institutional dimension) which considers the broader aspects of society and spatially embedded relations (Eklinder-Frick et al., 2014). Coleman (1988) and Putnam (2000) suggest that social capital as a resource in this dimension is ubiquitous – that it is open to all groups and communities to accrue benefit from. Indeed, Hewapathirana (2014) also propose that social capital is a public good to support social integration, social cohesion, shared norms and values that develop trust among co-located citizens. However, other studies argue that institutions differ between markets and from this it follows that social capital to some extent differs and that a firm’s strategy is network-dependent (Jansson et al., 2007). Thus, even if firm’s act in markets with a network structure, the socio-economic dimensions in a specific market may cause them to act differently in networks. They further highlight that business networks in western market economies differ in terms of structure and dynamics from networks in emerging markets like China and Russia, but, in addition, relationships in China and Russia may play roles and fulfil functions which are absent in western market economies. As a consequence, the planning and time horizons of firms, as well as how they develop and maintain social relationships are dissimilar. This, in turn forces firms to pay vicarious attention to being patient, suspicious

and performance-oriented in these markets. Consequently, the socio-economics dimension of social capital is likely to influence internationalization as an opportunity process.

A further and underutilised point of analysis of social capital is the *actor-oriented* dimension (Eklinder-Frick et al., 2014). In this dimension of consideration, social capital is exploited by an individual to obtain knowledge, information and relevant support. Due to an individual actor's position in networks and embedded relationships, information and knowledge can be favourably obtained (Eklinder-Frick et al., 2014). Hassink and Klaerding (2012) recently attempt to reintegrate the individual actor into studies of economic space, and we see this perspective as particularly helpful in exploring the role of social capital in SME internationalisation – as the individual actor may often represent an entire organisation. Any analysis however, must be inherently multidimensional, but we argue, can be approached with a focus on one dimension in juxtaposition to the others.

## **2.2: Bridging and bonding social capital**

Putnam (2000) suggests that there are two specific forms of social capital, *bridging* and *bonding*. Berardo and Scholz (2010) explore the socio-economic rationale of improving the quality of relations through bonding social capital which creates an advantage to the members of a society and decreases risk. Therefore, bonding social capital plays an important role in community cohesion – such as in creating trust and security between people, as being the basis for launching development initiatives. Bonding social capital concerns the nature of internal social relationships within a collective. It has been observed that to “improve the quality of information available to each of them about what others in the group are likely to do in specific situations” (Berardo, 2014:200). However, these perspectives seem of less value in the SME as they are likely to have fewer redundant relationships at the individual level to the networked or social-economic dimensions of social capital. From this perspective,



the more ubiquitous advantages of bonding social capital are more likely to accrue to large firms rather than small firms. The advantages accrued to small firms from social capital seem significantly underexplored. We seek to address this deficiency in our findings.

In contrast to the value obtainable through close ties, Burt (1992) identified the inherent value of non-redundant relationships or what he refers to as ‘structural holes’. In contrast to bonding social capital, bridging social capital (capital that closes or spans a structural hole) is mainly considered to create relationships that extend beyond members’ close set of acquaintances, and connect them to other unfamiliar groups (Eklinder-Frick et al., 2012). It is often discussed in conjunction with the notion of weak relationships (Granovetter, 1973). Callois and Aubert (2007) imply that bridging social capital is essential for bringing in new ideas and opportunities, but the potential resources it carries can be much less reliable. While bonding social capital can solve agency and collective agency problems, it can also foster redundancy of information, low incentives, collusion and discrimination.

There are also studies positing interesting inter-relationships between bridging and bonding social capital. For example, Halpern (2005) argues for a positive relationship between bridging and bonding social capital in circumstances where one actor who wants to become more strongly bonded and has low bridging capital, and a second actor who is well bonded and is capable of providing indirect bridging. Uhlaner et al. (2015) also examine the relationship between bridging and bonding social capital and found positive effects of bonding social capital on bridging social capital. Leonard and Bellamy (2010) also offer a moderate positive relationship between bonding and bridging social capital, with a higher level of bonding associated with a higher level of bridging social capital. It is therefore possible to consider social capital as having different forms, having both a bonding (multiple redundant connections) and bridging (few or unique non-redundant relationships bridging structural holes). Eklinder-Frick and colleagues have discussed this differentiation but also

further discuss the possible positive and negative consequences of both forms of social capital. Chetty and Agndal (2007) also classify the role of social capital in terms of positive and negative influences, in which the efficacy and serendipity roles exemplify the positive aspects. Putnam (2000) also note that bonding social capital is unequal and excludes those outside the community residing in other communities (Leonard & Onyx, 2003). However, within this body of work there is limited insight into processual interplay between different forms and dimensions of social capital relative to certain activities. Our focus in this paper is on international take-off, and we next review what can be learned from combining the lenses of social capital and internationalization.

### **2.3: International opportunities and social capital**

One of the most respected models that have been used to explore internationalisation is the Uppsala model (Johanson & Vahlne, 1977, 1990, 2009; Vahlne & Johanson, 2013) of internationalisation. In re-imagining the Uppsala framework from 2009, Johansson and Vahlne introduce the term *opportunity* and argue that development is a consequence of processes taking place in the firm's network. In later work they integrate the role of the entrepreneur into the identification of international opportunities (Schweizer et al., 2010) not only occurring through a systematic search process, but also through a more emergent effectuation process (Sarasvathy, et al., 2014). Ellis (2011:100) further suggests that:

“...the recognition of international exchange opportunities is a highly subjective process, shaped by entrepreneurs' existing ties with others. These idiosyncratic connections both promote and constrain international exchange”

Ellis goes on to note the predominant empirical and definitional focus in the internationalization literature on opportunity *realization* and notes the under conceptualization of opportunity *identification*. We choose to inculcate the definitional

contradistinction between opportunity identification and creation into this criticism (Sarasvathy, et al., 2014), neither dimension being well explored in our view.

In internationalisation studies, social capital is mainly treated as a theoretical umbrella and is commonly empirically observed as relationships or relationships, between directors, family members or firms. For instance, ethnic ties, in opposite to non-ethnic ties, are observed to influence internationalization (Prashantham et al., 2015) and in the same way, directors of the board's relationships are associated with internationalization (Chen et al., 2016). Prashantham and Birkinshaw (2015) study social capital in terms of home-country and host-country relationships and how they are related to internationalization. There are studies linking social capital to opportunities (Zaefarian et al., 2016) as their study proposes that social networks tend to lead to their first opportunities, while subsequent opportunities are a result of business networks for family member in SMEs. Whilst Ellis (2000) suggests that opportunity is a product of a network, less attention has been paid to how opportunities are exploited and what consequences this has for a network. Typical approach to opportunities is that a network with low density, or an open network, is fertile for identifying opportunities with a high degree of novelty (Andersson et al., 2005). But there are also network studies concluding that opportunity identification or creation is not contingent on the network's configuration, but instead an outcome of discovery, luck and serendipity (Chetty and Agndal, 2007; Ellis, 2000; Vasilchenko and Morrish, 2011). Thus, it seems that the very nature of social capital in terms of relationships gives diverging effects on internationalisation.

Valdaliso et al. (2011) study the effects of social capital and internationalization on the emergence of absorptive capacity in a region and they empirically observe the relational, structural and cognitive dimensions of social capital. The focus is not specific firms and they do not scrutinize the process. The idea to view social capital as consisting of relational,

structural and cognitive dimensions and how they change as internationalization goes through the phases of initiation and continuation is in focus in Lindstrand et al. (2011). Even though their study does not have a processual approach, they are interested in characterizing various phases. They base their study on a single case in a developing economy with mature institutions.

Social capital plays different roles when firms change entry mode during internationalization (Chetty & Agndal, 2007). This study has a lot in common with Agndal et al. (2008), where the authors analyse social capital as to what extent the firm's relationships are structurally embedded in social and business direct and indirect relationships. Even if these two studies incorporate change, they could not be defined as processual as they focus on one change and not a flow of changes during the internationalization. Lew et al. (2013) also build on the idea that social capital plays different roles, and study how dependence on partner's resources, trust-building and behavioural monitoring are inter-related in the internationalization process. However, their study is not processual, but based on quantitative data from 110 questionnaires.

Prashantham and Dhanaraj (2010) propose a dynamic model in order to analyze how initial and dynamic social capital is linked to initial market entries and international growth. Thus, social capital has two temporal elements and consists of various types of ties, which change over time. In line with the other some of the other qualitative papers (e.g., Chetty & Agndal, 2007; Lindstrand et al., 2011), they are interested in change and dynamics, but do not explicitly study the process.

The methodological imperatives in studying the interplay between social capital and international take-off are to penetrate the highly subjective and socially constructed nature of its formation and expose the dynamic and processual elements of the emergence of international opportunities. We turn next to address this methodological imperative.

## **2.4: Theoretical framework**

Theoretically, network position in a specific foreign market can be viewed on a continuum from perfect outsidership to perfect insidership, and according to Johanson and Vahlne (2009), outsidership makes the market network opaque, as the firms have no direct relationships with firms in the market, but also lack indirect relationships through which information about opportunities can flow. Insidership does not only support the identification of opportunities, but does also give the firm a structure and a platform where to exploit the already identified opportunities (Blankeburg Holm et al. 2015). This idea is in contrast with the “weak tie” idea (Granovetter, 1973), which includes a contention that a strong position is a poorer basis for identification of novel opportunities.

The network literature on internationalization argues that there are two main ways to grow and expand internationally (Hohenthal et al., 2014), and these correspond with bonding and bridging social capital. We view a limited social capital as equal to a weak network position, thus firms are likely to experience a liability of outsidership where they lack bridging and bonding social capital. The most common way to view internationalization is to establish new relationships in the foreign market network. Through existing relationships actors learn about potential customers and suppliers beyond the direct relationships and can develop relationships with them. Thus, the network is a prerequisite of building bridges to new opportunities. Less discussed in the literature is international growth by bonding capital. This can be reached by developing new products or technology used in existing domestic relationships. New ways of international communication and distribution may strengthen existing relationships and lead to increased sales, decreased costs, growth and profit.

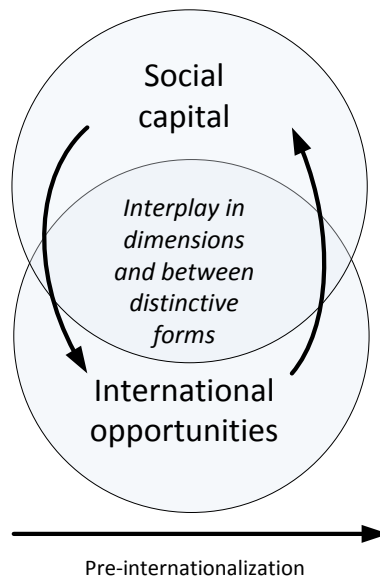


Figure 1. A process of interaction between opportunity and social capital

Having no access to foreign market network in terms of bridging and bonding capital makes it likely that opportunity identification takes the form of surprise, luck or inspiration as there are no relationships that can mediate information about opportunities. As postulated in Fig. 1, actors can utilize social capital in bridging and bonding forms, seen on different conceptual dimensions, in different ways. Firms may utilize different aspects of social capital as they move towards international opportunity creation and identification (Sarasvathy, et al., 2014). The utilization of social capital will cause changes in the actors' conditions and networks and subsequently give rise to new possibilities for opportunity creation and identification, as those actors move towards international opportunity identification and exploration. But once the firm begins to exploit an opportunity, which takes place in the foreign market's network (Blankeburg Holm et al. 2015), the firm's social capital is put in use, and thereby takes new forms. This interplay gives internationalization its dynamic nature and thereby its conceptual mechanism, but it is important to underline that this is not a deterministic process, as not all social capital can be use in order to identify and exploit opportunities and opportunities may have different impact on the firm's social capital.

Thus, we apply a processual perspective and study the pre-internationalization process by describing different phases in such a process, and the different tactical moves that those actors undertake to utilize the different forms of social capital that is available to them. We next explore the process aspect of our conceptual framework (Fig.1).

### **3.0: Methodology and data collection**

In this section, we outline our approach to process theorizing, and in a separate section outline the more procedural aspects of the methods.

#### **3.1: Approach to process theorizing**

Process research is concerned with temporal patterning and is “research that examines events, activities, and choices as they emerge and sequence themselves over time” (Bizzi & Langley, 2012:225). The fieldwork for this study was commenced from an inductive, social constructionist (Cunliffe, 2008) perspective and concomitantly we adopted an “event based human time view of processes,” in which “events are given their meaning by their human connection to past, present and/or future events” (Halinen et al., 2012:216). We connected with the context laden experiences of internationalization from the retrospective accounts of respondents (Golden, 1997). In this way, we expose both past-loadedness of events lying in the across experiences, but also the future-loadedness of expectations built into business relationships (Hedaa & Törnroos, 2008). The historical narratives of respondents allowed us to probe for events, moments and incidents which led to a significant change in the awareness of international opportunities in the case firms. The fieldwork was conducted in two phases.

We initially set out in the first phase of 16 interviews to study the impact of bridging and bonding social capital on internationalization in Chinese SMEs. A convergent, semi-structured depth-interview approach was deployed from the outset to allow for new

understanding to emerge (Dick, 2002). One such emergent finding was that many respondents spoke at length of the problems of regional and global isolation. The particular interest in pre-internationalization behaviour therefore emerged during this phase and the later interviews converged more firmly on opportunity development rather than exploitation. Point mapping was then used to temporally bracket a pre-internationalization period (Halinen et al., 2012; Langley, 1999). Analysis of these first 16 interviews allowed us move from open coding (first order analysis) to the identification of a series of macro-narratives (Makkonen, Aarikka-Stenroos, & Olkkonen, 2012) relating to international opportunity creation and development. Finer grained bracketing identified phases within the pre-internationalization period. These phases are therefore empirically and inductively derived, and form the structure of Figs 2 & 3. Within these phases, we then sought to identify the shortest temporal periods of *episodes* (Holmlund, 2004) – punctuated moves between two moments which advanced the firm towards future internationalization. We term these *take-off* episodes which we theorize also as event trajectories (Hedaa & Törnroos, 2008). We imbue the episodes with teleological assumptions (Van de Ven & Poole, 1995), in that we see these episodes as non-sequential, and the agents free to choose different paths, through pre-internationalization to internationalization. Through the use of broad grained, and fine grained bracketing, and episodal mapping, we aim to demonstrate the flow of pre internationalization activity.

In phase two our orientation switched from an inductive to an abductive stance. In developing the phases of pre-internationalization, we further identified the potential that episodes affected and were affected by different *dimensions* of social capital, rather than only through different bridging and bonding forms of social capital. We therefore conducted a further 4 interviews to further develop this understanding. The first 16 interviews were therefore revisited and the dimensionality elements of Fig. 3 developed. Theoretical saturation was deemed to have been reached at this point. Through this approach, we seek contextual



transferability and analytical generalizability (Lincoln & Guba, 1985; Yin, 2013) in the phases and dimensions of our theoretical frameworks, but we actively seek contextual specificity in identifying episodes, akin to chess-moves as more tactical levels motions which incrementally move respondents closer to international opportunity exploitation.

### **3.2: Procedures**

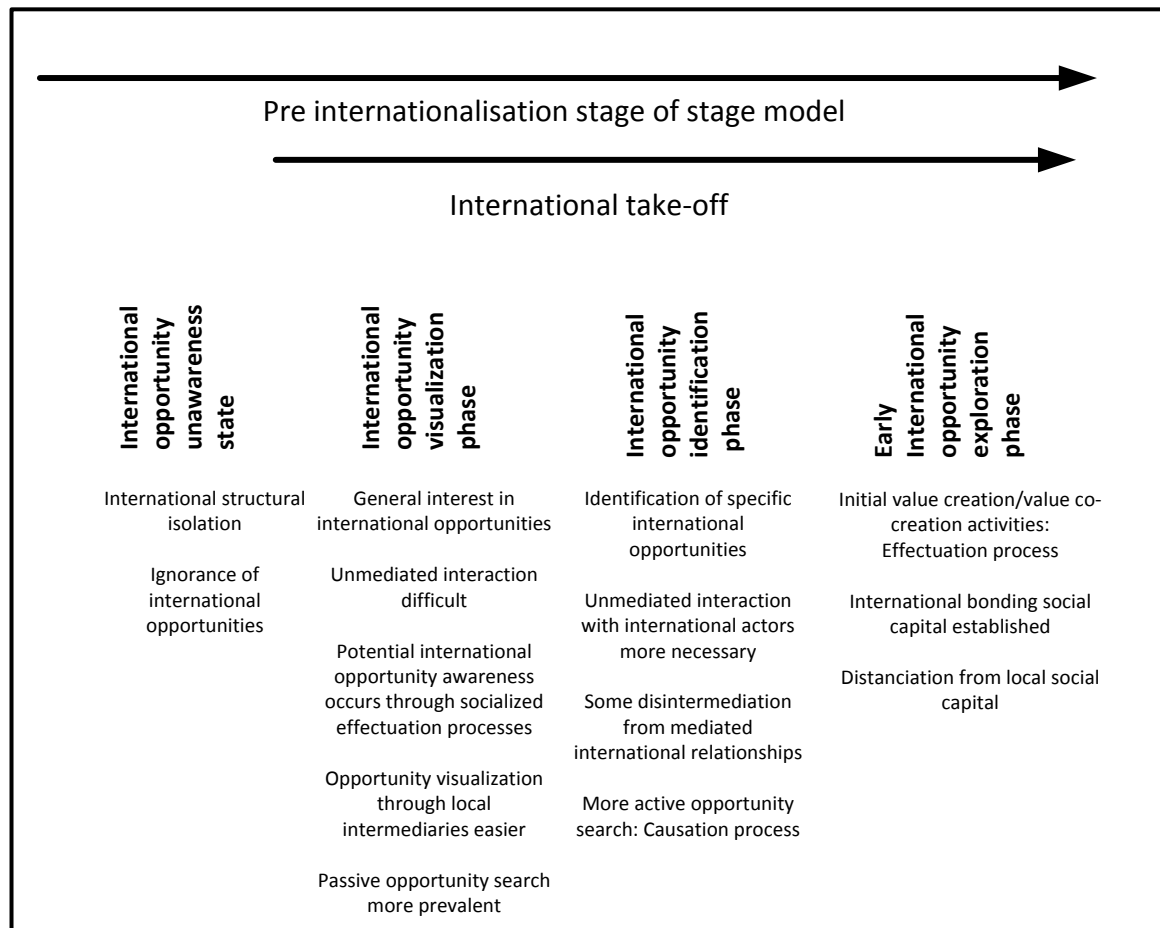
Respondents were senior figures (see Table 1) within 20 Chinese SMEs in the chemical and engineering sectors with between 5 and 16 years' experience of international business, each of whom had significant experience of the process of internationalization in those firms. The companies were located throughout North-East and South-East China, areas where international business has been growing exponentially over the last three decades, but which still manifest greater formal institutional weakness than core areas of China. This allowed us the opportunity to gain greater contextual awareness of the interplay between social capital and international opportunity identification. However, we also consider how social networks link to formal institutional actors. The available cases were selected according to the definition of 'SME' in China as being less than 2000 employees. Firms were selected through local government agencies and later snowballing techniques. Each interview lasted between 1 and 2 hours. The interviews were recorded translated and transcribed by a professional bilingual researcher in order to capture depth of meaning. To further aid dependability, interviews were shown to respondents. To demonstrate authenticity in the development of our proposed take-off episodes, we use the verbatim quotes of respondents in our narrative (Lincoln & Guba, 1985).

**Table 1** Details of interview cases

<b>Time and place of visit</b>	<b>Case ref.</b>	<b>Employee band</b>	<b>Year of establishment</b>	<b>Years involved in international business</b>	<b>Interviewee/s</b>	<b>Gender</b>
07/2008, HZ	1	270	1992	7	Managing director & Business Development Manager	M/M
03/2008, BJ	2	230	1991	11	International Business Manager & General manager	M/M
01/2010, JS-ZJ	3	130	1991	7	Business Owner & Business Development Manager	M/M
01/2010, NJ	4	300	1993	14	Business Owner & Business Development Manager	M/F
07/2010, BJ	5	200	2004	5	Business Owner & General Manager	F/M
07/2010, ZJ-TT	6	250	1993	10	International Business Manager	M
07/2011, ZJ-HZ	7	150	2000	12	Business Owner	F
09/2011, JJ	8	200	1984	13	Managing Director & Business Development Manager	M/F
01/2013, ZJ	9	150	2009	3	International Business Manager	M
11/2013, ZJ-SX	10	300	1986	16	Managing Director	M
12/2013-01/2014, ZJ	11	300	1973	10	Business Owner	M
01/2014, HZ, ZJ	12	170	1992	8	Business Development Manager	M
01/2014, HN-LD	13	230	1985	10	Business Owner & Business Development Manager	M/F
01/2014, ZJ-HZ	14	210	1994	12	Managing director	M
05/2015, GZ-GL	15	300	1993	7	Managing director & International business manager	M/M
02/2016, SX-BJ	16	200	1990	10	Business Owner	M
06/2016, SX	17	260	1998	10	Business Owner	M
06/2016, SX&WX	18	300	1995	12	Business Owner	M
07/2016, SX	19	380	1987	12	Business Owner & Marketing Director	M/F
08/2016, ZJ-HZ&SX	20	180	2004	11	Business Owner	M

## 4.0: Findings

In this section, we identify distinct phases in the pre-internationalisation of Chinese SMEs. We further isolate distinct take-off episodes that lead to increasing commitment to internationalization. We visualize the empirically derived phases in Fig.1 and suggest the key defining elements of these phases identified in the transcripts.



**Fig 1. Phases of pre-internationalization**

These phases were by analysis of the first round of interviews and represent a strong process theory, given that we anticipate that the phases will be analytically generalizable (Yin, 2013) to other geographic contexts. The phases within a longer pre-internationalization period seem to be consistent with the assumptions of the more recent work into the Uppsala model that inculcate notions of entrepreneurial opportunity and opportunity creation (Johanson &

Vahlne, 2009; Schweizer et al., 2010) and responds to Ellis' (2011) call for more focus on opportunity as a conceptualization before such opportunities are realized in a tangible sense. Having empirically established tentative phases, we were further interested to establish the role of social capital in moving through these phases in a series of finer episodes. No one company was found to demonstrate all these episodes, and some indeed clearly accelerated or leapfrogged phases, or indeed begin from further along the phases. We therefore see these episodes as imbued with teleological assumptions. We first propose therefore to assess dimensions of social capital and bridging social capital in these take-off episodes in our narrative. We identify a series of 12 international take-off episodes (ITOs) and present this in a visual process map demonstrating fine and broad grained temporal bracketing in Fig. 2 to show the proposed multi-dimensionality on which social capital effects unfold in these episodes. Our narrative is advanced in four sections coinciding with the four phases of Fig. 2.

#### **4.1: International opportunity unawareness state**

It was apparent that in many of the cases, respondents recalled a journey from being embedded in networks without international bridging relationships towards reaching international opportunity realization. We therefore first define a base state (through point mapping) of being isolated from international opportunities from which international ITOs occur. We found that many of the SMEs had been involved in local business networks only, at an early point in the evolution (contrary to born global firms). This domestication, on one hand, allowed them to obtain strong relationships with local partners, customers as well as foster essential relationships and gain access to important local resources. However, strong local relationships led many of them to become too reliant on local networks; and this appeared outwardly in some instances to disable them in being aware of opportunities with customers in international markets. That is, in a condition where high stocks of socio-

economic bonding social capital exist, but within which ‘capital’ there are structural problems with local relationships through which international opportunities can be visualized. This local focus is an example of past-loadedness that constrains international opportunity identification. Many respondents used family and friend metaphors to describe these networks built on local bonding actor-oriented social capital and the cases demonstrate that within this bonding social capital information exchange was extensive, but did not concern international markets.

“I personally met a lot of [local] business people looking for international business opportunities... they told me it was very difficult to meet foreign clients... [...] how to contact foreign clients... and they don’t understand the way that foreign business operates.” [Case 5]

Indeed, many respondents needed a profile that attracts inward (passive) inquiries from foreign investors, thus helping them to visualize what international opportunities might exist.

“Personally, I don't think ‘massive hunting’ is a good strategy for firms of our size to venture in international markets. We are not large companies; we don't have enough resources to support extensive infrastructure and activities. We may find the connections with international markets if we have good quality products and reasonable prices ... [...] if we have our own brand... [...] that will be recognized by [international] clients.” [Case 6]

Therefore, in trying to identify ITOs as emergent properties, we found it necessary to define a base state of lacking in international relationships from which these SMEs progress.

#### **4.2: International opportunity visualization phase**

We note two flows within social capital – first, social capital leads to a revelatory moment about the potential of a new international opportunity or second, social capital that introduces a pre-existing opportunity to the previously internationally isolated actor. In these senses, opportunity visualization we suggest to be both obtainable through identification and creation of international opportunities (Sarasvathy et al., 2014). In this phase, firms seemed to start to break free of the bonding socio-economic social capital that led them to over-rely on a local context. This seemed to start with visualizing their firms as international enterprises.

“It's about ambition and views of business as an entrepreneur. I have some friends, they are about my age with families settled. They seem enjoy their life very much and don't think to develop their business and progress their career. However, I felt it would be a shame if I don't make something happen. So international markets are planned in my agenda.” [Case 17]

We therefore define this new strategic mind-set as a second base state imbued with future-loadedness. We isolate an ITO of acquiring such vision, but are unable in this study to define the conditions from which this ultimately emerges. If this vision is the first step in pursuing a causation strategy such process of emergence seems to be an important point for further research.

**ITO 1: Development of a new mind-set in individual actors: Questions remain as to the conditions from which it emerges.**

Having in the previous section defined a base point of lacking international relationships from which take-off episodes occur, we next looked for defined phases of opportunity identification. Emerging from a state of low international connectivity, we noted several ITO episodes that led to the ability to visualize international opportunities. We define ‘visualize’ as being aware of international opportunities, being interested in exploiting them but before a specific targetable opportunity is identified to be explored further.

Case 1 was located in a rural area and distant to cities, when they were in such a difficult time of identifying foreign business opportunities. Whilst they had strong local social capital, they did not appear to have relationships with other peer firms conducting international business. That is, their local bonds were not with other networks actors who could bridge the national-international boundary. In case 18, we further note an ITO episode where they chose to relocate geographically and chose a location where a network with strong relationships to international markets existed.

“We aimed to expand our business to a new area and [...] did build up new networks after we moved here. Bearing in mind, we intended to get into international markets for our products, so we did not rely just on local networks as in our original place. It is not in a sense of losing local networks or relationships. [...] if we stick only to local networks, we would not be involved in international markets properly.” [Case 18]

The advantages offered by these more favourable locations were geographic and therefore offered the likely inculcation into networks with international bridging social capital.

“We learnt that there were quite a lot of incentive benefits if we move into the special economic zone in this region. We may also obtain connections with those large firms from foreign markets.” [Case 11]

Thus, geographic re-location was identified in several of the transcripts and was connected by respondents specifically to gaining geographical proximity to internationally connected actors.

**ITO 2: An internationally isolated firm moves to other in-country geographic location to be co-located with other actors with better bridges to international opportunities.**

Unmediated interaction in this phase was reported as frustrating. A number of respondents reported initial rebuttal of unmediated approaches to foreign exchange partners. They reported some difficulties in understanding the nature of these rebuttals.

“We feel it is very difficult to catch attention from foreign customers. Several customers came to visit us but nothing has been achieved. We still wait...” [Case 2]

The respondents were used to culturally-grounded interpersonal norms, which are broadly ubiquitous in mainland China. Certain implicit signals and cues as to their credibility in their domestic market were not read in the same way by the potential foreign partners. For instance, in Case 13, the respondent noted confusion that his previous interaction had been with a senior manager who had left the foreign company, but that the status of actors did not lead to a referral to the foreign manager’s successor. The rules of the game were different to



what this respondent had experienced locally. The respondent noted, with some exasperation, that:

“They did not recognize his influence at all, or he did not leave any message to those staff members before he left. In my experience/opinion, a person, who was a general manager, left a company, his staff members would still be very warm to anyone who approaches for him.” [Case 13]

He added, with sanguinity:

“...perhaps people in Germany are unlike people in China, do not get on with each other so closely?”

We note therefore the constraint to ITO offered by the rules within local bonding socio-economic social capital when extended to international interaction. Other relational barriers were caused in respect of the rules of reciprocity.

“I know this is quite hard as it is not very easy to talk to him often through international calls. So, we asked staff members to send him gifts to the address on his business card. We heard from him once, but never again afterwards.” [Case 3]

In this example, the respondent expected a possible return from what they had given to these prospective customers. Hence these are important contextual factors that affect learning, creating and trust building (Schweizer et al., 2010). In the opportunity visualization phase, better results were obtained through mediated contact via local intermediaries with

international bridging social capital, or through the bringing in of individuals with bridging social capital. To overcome the lack of international connections, firms in the sample sought out – or their firms were sought out by local agencies with pre-existing international bridging social capital.

“We used to focus on the domestic market, so we had very little experience of contacting and identifying prospective customers in foreign markets. Fortunately, I knew a friend who has an exporting company, like a trade agency, although her company does not deal with engineering components. She learnt that I was looking for business abroad. [...] I did not put too much hope on her [...]. About half a year later [...] she said to me, ‘Mr. LQ, I have a friend who might be interested in something you are doing. Would you have time to meet up?’” [Case 17]

A thread running through the transcripts was the influence of cultural, family and friendship relationships utilized when seeking local individuals who possessed international bridging social capital. The socio-economic dimension of social capital seemed pervasive through the opportunity visualization and identification.

“I have a lot of friends. Friends are important. They bring information, resources, power and things that you can’t do it on your own. Some of my friends were ex-colleagues and followed with me when I worked in a state-owned factory. They were all very good. I asked some of them to help me to look for people with good skills when I started to plan venturing in foreign markets, and they helped.” [Case 17]

A further way to address the lack of international relationships was to recruit employees with overseas networks. Recruiting overseas employees unsatisfactory as they were thought to lack the ability to integrate into local stocks of socio-economic bonding social capital. A more successful method was to recruit Chinese returnees.

“However, we need to consider it for a longer term. That is why I suggested my son do a PhD degree in environmental engineering. He is doing his study in U.S.A. I hope he could come back. Perhaps join my business.” [Case 17]

“I studied in Germany and used to work in a UK company for several years. I then came back to join this company, which is located in my hometown.” [Case 6]

*Returnees* are identified as being significant in opportunity visualization and later identification. However, some returnees often lacked bridging social capital as they had not established strong bonds with useful overseas actors whilst out of country, and were therefore impacted less on opportunity realization and we find that bridging capital is indeed better at transmitted information than resources (Callois and Aubert 2007).

**ITO 3: A firm hires Chinese repatriate or internationally experienced manager to overcome the lack of international relationships and better visualize and (ITO 4) better identify international opportunities.**

In contrast, experienced international managers who had nonetheless gained experience from a Chinese base, were often again identified through friendship or former colleague networks.

“The most important thing was that I understand English. You see that is an important skill ...especially in those days. I know these days, a lot of people can speak good English now, like yourself. It was not very long after I joined the company, I successfully introduced a project – collaborated with a foreign firm, which was a company I knew from my previous job.” [Case 9]

A problem evident here is the tendency for these internationally experienced Chinese managers to rely on past international networks, rather than undertake the “massive hunting” or cold calling trawls of potential opportunities that may be more in a Western mode of search. Therefore, more successful in proactive internationalization was the recruiting of foreign educated and professionally experienced (in foreign business) locals. When new employees came into structurally isolated firms, it signified an individual with international bridging social capital coming into previously domestic only SMEs, and such an occurrence was the trigger for an international take-off episode. In this case, we can say that bridging social capital on the individual level can be enabling in the absence of bonding social capital on an actor-oriented level, but where bonding socio-economic social capital is apparent. Similarly, the use of paid consultants achieved a similar impact.

#### **4.3: International opportunity identification phase**

A key point map in the beginning of this phase is an identified (but yet unrealized) and specific international opportunity. Hence, we identify this phase onwards as primarily a

deliberate search process. We define the international opportunity identification as a phase where specific opportunities are identified, (and indeed clarified if inherited from the previous phase) through active and planned searches of the environment. In many cases, these opportunities were identified through local stocks of bonding social capital. Words like friends and family were still very apparent in this phase when discussing opportunity identification suggesting that actor-oriented social capital was significant. These stocks of social capital were particularly important in identifying outward opportunities.

“We went to trade shows in Europe, and also trade exhibitions. We attracted foreign clients in different places. We looked for possible contacts through these events, and we then follow up to see if they are really interested in what we have. Afterwards, we may wish to see if there is a chance to establish a contractual relationship or some collaboration.” [Case 3]

**ITO 5: Outward opportunity identification episode when local third actor identifies international opportunity (mediated opportunity identification) and passes to SME.**

However, we chose to consider internationalisation as being both inward and outward, and the analysis takes into account cases where international interaction can be something other than that between a Chinese supplier and a foreign buyer. We particularly note that Chinese SMEs are attractive as partners to a potential foreign supplier/partner (inward investor) because of their strong stocks of local bonding social capital.

“I understand why they would like to run the business and collaborate with us in China. Well, [Chinese] customers are the most important asset for

them. And, most importantly, we have it [customers]. We have access to the local companies and people, at least we don't have any language barriers, we know people in local government – we have local resources.”

[Case 10]

There is evidence in the cases of joint opportunity identification taking place in order to inwardly adapt foreign products to local conditions. In these circumstances the ability of the Chinese partner, through their local structural social capital to provide solutions to creation problems was an example of bonding social capital as facilitating international take-off episodes.

**ITO 6: Inward opportunity identification episode when foreign investor seeks association with local SME to access local networks.**

During the opportunity visualization phase, SMEs tended to rely on trade agencies to identify a possible trajectory for internationalisation. Many continued to work with these agencies to develop and target specific opportunities. However, we note in other firms also tendency to disintermediate these relationships in the opportunity identification, for example:

“...well, in our early days, we pretty much relied on exporting companies [agencies]. [...] These days, we have quite a few staff members looking for prospective customers. We have discontinued with some of the agencies.” [Case 17]

It was apparent that foreign actors were keen to deal more directly with Chinese SMEs in many cases.

“A lot of foreign customers wished to see our plant before contracting with us. They don't wish to deal with trade agencies. [...] It is understandable as they don't want any intermediate.” [Case 8]

#### **ITO 7: Disintermediation from local agencies and forming direct relationships to international customers.**

The process of learning was reported to be enhanced here through the forming of bridging relationships to international actors and distancing from locally bonding actor-oriented social capital. The exchange of information here helps to better identify international opportunities.

“This is a good collaboration; this is something that we hope to obtain from foreign customers as they normally would have better techniques for products, which is what we want.” [Case 3]

The identification of these specific opportunities then leads to the first tangible realization of these opportunities, which we explore next.

#### **4.4: Early opportunity realization**

We define the start of this phase as the start of tangible product or service development in respect of a specific identified opportunity. In considering the pre-internationalization of the

Uppsala model, we take into account opportunity development up until the first exchanges are made, and consider one step further, how the first exchange affects the second and subsequent exchanges. The learning curve of early opportunity realization (whether inward or outward) was reported to be a steep one and was achieved most successfully with unmediated and often face-to-face contact between Chinese and foreign partners.

“Oh....it was so hard... to improve it with their specific guidance ... I [personally] lost 20 kilograms before it was finished... almost 24 hours working... Eventually we had it managed and that client accepted ... orders came to us as well.” [Case 5]

In case 5, the respondent reported the problem of adapting local products and services for foreign opportunities. The issue of early international co-creation with foreign partners has seemingly escaped significant attention in the current literature.

**ITO 8: Learning from unmediated contact through bridging actor-oriented social capital leads to successful opportunity realisation with an international actor.**

It is apparent in many cases, that the metaphors of friendship were applied in this phase to international actors, suggesting that initial international bridges formed at the individual level had become international stocks of actor-oriented bonding social capital, often between supplier networks whether these were Chinese or overseas. At this time, there seems also to be some distancing from some of the norms contained within the social-cultural dimension of social capital. For instance, the owner of Case 7 intended to utilise her foreign partner as an effective referral to the prospective market. Another business owner obtained ‘friendship’



with individuals from other countries in a way that he believed appropriate for foreigners. He seemed to acquire foreign actor-oriented social capital beside the typical approach in traditional Chinese culture. As a result, he said they successfully obtained a manufacturing contract with a multinational company.

“Every single minute that our guests were with us, or we with them, is a chance of business. We have to develop relationship with them. Dinners and leisure activities are important methods to help us to develop relationships with them. But other business manners [...]. Don't just think interpersonal relationships would work out if you don't manage these things well [...]. We have clients, they are all very large global corporate. We provided manufacturing services to corporate like Monsanto. We helped them to produce ingredients and sell in China.” [Case 4]

**ITO 9: International bridging social capital at an individual level becomes international bonding social capital at an actor-oriented level, facilitating early opportunity realisation.**

In a number of cases, respondents report the problem of adapting local products and services for foreign opportunities. In both cases, they relied on non-local sources, particularly the foreign partner themselves to co-create the value proposition. In several cases, bonding individual social capital was used where actors within the network had obtained information for the purpose of opportunity realisation via different bridging agents. For instance, the respondents in Case 8 and Case 9 were from different cultural backgrounds: one was native Chinese, enabling the speaking of both Chinese and English and using his language skills to

connect a business opportunity for both the firm and a potential foreign partner; and the other was a foreign expert who came from America to deliver technical skills, through which a collaborative project were enacted. In both cases, bridging social capital has relied on individuals with certain skills and expertise to co-create value that satisfied both two parties. It is apparent that at least two firms had progressed from this position to become a gateway firm between foreign and domestic networks as a result of successful initial opportunity realisation episode.

“We are in a position to better link those raw materials and [foreign] end users. [...] There are quite a few local companies intending to develop products with us these days as we have the technologies that they don’t have. This gives us benefits of having good relationships in a domestic market. On the other hand, we also have good connections with foreign customers.” [Case 20]

**ITO 10: Firm becomes bridge between foreign actors and local stocks of bonding social capital to enhance opportunity realisation. They become a local hub or gateway in a structural stock of social capital.**

We also note that a choice of initial bridge for exchange may also constrain a second bridge. The implications of this for social capital theory is that of exclusivity – that a firm’s hub status in a network may be seen as competitive by foreign actors. The respondent in Case 10 discusses this issue.

“An advantage that we had was we were already recognised as a joint venture business having collaboration with a foreign company; however, this was also our disadvantage as we were labelled as a joint venture with that first foreign partner. It was really a time I had headache.” [Case 10]

What we interpret from this passage is a problem of bridging exclusivity, a point that seems to have escaped scholarly attention so far. We can perhaps refer to this as a problem of non-exclusive-bridging, in that the absence of international connectivity on the part of a Chinese SME is attractive to an overseas inward investor, and the existence of a non-exclusive bridge seemed to be a source of constraint to further internationalisation.

“They cared about exclusivity. So we decided to split the company facilities and assets and establish a subsidiary. The approval was very quickly dealt with by our people who had resources in the authority. It was effective and we did not have the client wait for too long to start the business.” [Case 10]

The implications for take-off would therefore be the choice of the initial bridge, relative to its potential constraints offered to the creation of redundant connections. Their solution, to split the company into distinct entities, seemed to us quite an elegant one.

**ITO 11: Separation of global bridging connections to local networks implies unique relationships between foreign and domestic actors.**

The respondent in Case 1 also suggests another source of constraining force of structural bridging social capital, or as a consequence of it. Having initially moved locations to be co-located with internationally connected firms and agencies, this firm found that these relationships were primarily for the phase of opportunity visualization and identification and less helpful in respect of early opportunity realisation. The respondent seemed to get used to the activities of business delegations and spent much time and effort to keep good social relationships with the local authority which organized the delegation. On the other hand, he also felt very irritated at times of being invited and participating in some delegation as he said:

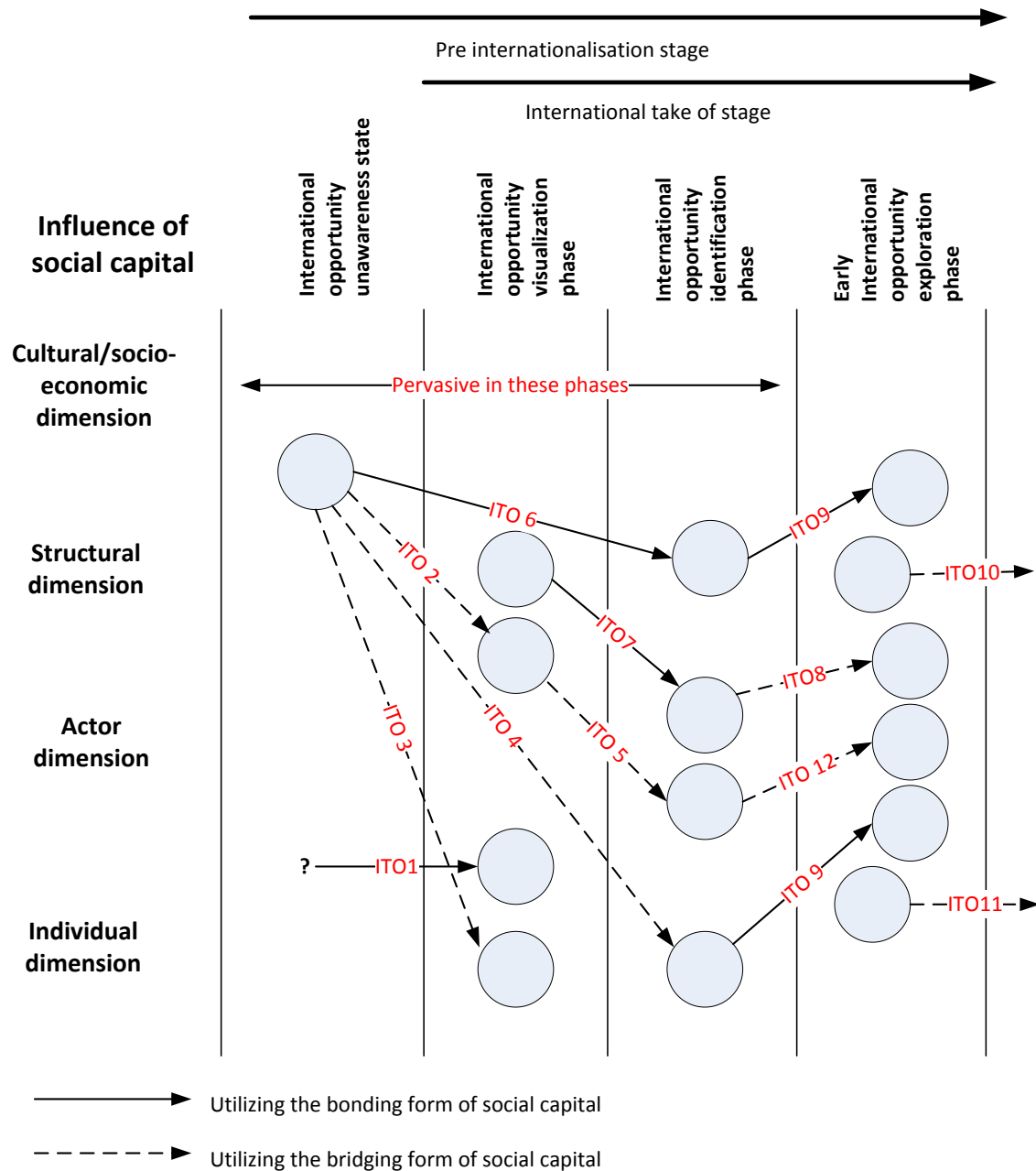
“It’s not all free, we have to pay time and even a part of expenses when we go with those governmental delegations. There is substance that we can claim from a local fund, but we have to put our effort of making it. The most important reason that I am still doing so is to keep our relationships with people in local authority. Honestly, I don’t know the possibility of achieving a business opportunity or contract through this kind of visits...” [Case 1]

Distraction seems to be something that the respondent complained about when he was offered various types of opportunities to connect with foreign firms. This seems particularly after an initial international bridging connection had been created with the aid of local actors. Rather than focussing on the development of the bridging connection, pressure from local agents to explore further opportunities, rather than exploit partially realised opportunities within the bridge already created, was observed. When the respondents faced with a plethora of new opportunities, they may also consider effectiveness of the process, both in terms of time and

finance. The implications for social capital here was a distancing from local stocks of bonding social capital towards building greater stocks of international bonding social capital. In undertaking this relational distancing, this respondent notes some concerns with the reaction of local agents to this prioritisation of international networks.

**ITO 12: Distancing from local stocks of structural bonding social capital in order to build strong stocks of actor-oriented international bridging social capital.**

Like Edwards and Onyx (2007), we find that that bonding social capital (in our exposition *international* bonding social capital), helps to actualize identified opportunities. We have therefore isolated twelve distinct take-off episodes and in Fig. 3 show these in a visual process map and illustrate how these moves occur relative to dimensions of social capital.



**Figure 3: Isolated international take-off episodes relative to pre-internationalization phases and dimensions of social capital**

In Fig. 3 we identify the teleologically underpinned episodes through which firms ‘take-off’ in a non-sequential way. By representing these episodes relative to the empirically identified phases, we represent the motion and flow of pre-internationalization activity in both hard and

soft theories of time. We also offer an exposition of how these flows occur relative to dimensions of social capital, and whether these movement use bridging or bonding social capital.

#### **4.0: Theoretical and practical contributions**

In our concluding sections, we move to identify the main practical and theoretical contributions we have made.

#### **4.1: Social capital implications and practical contributions**

The implications of our twelve, international take-off (ITO) episodes are as a series of tactical moves that an SME can make to move through pre-internationalisation. We see ITO episodes as practical options for SMEs in any context trying to create international relationships and we therefore inculcate our practical contributions in this section. In the *international opportunity unawareness state*, it was evident that many of the firms were once over reliant on bonding mechanisms that were not conducive to forming international bridging connections, resulting in a lack of international relationships (ITO1). Domestically relocating a firm (ITO2) seemed to be a way in which to enter a new network that was richer in international bridging connections.

- Searching for positioning in an open network structures helps firms gain structural bridging social capital and aids their international opportunity visualization.

The firms were also immersed in a socio-economic dimension of social capital that was influenced by bonding mechanisms. The reliance on creating strong bonds in when making international relationships by deploying a bonding strategy based on local norms was unhelpful when initiating business relationships in a setting less dominated by bonding socio-

economic social capital. Better results were obtained through mediated contact via local intermediaries or the utilization of individual Chinese contacts (ITO3). Utilizing inter-firm contacts was thus a way in which to use local bridging actor-oriented social capital to override the difficulties posed by the bonding form of socio-economic social capital.

- When bonding socio-economic social capital creates a divide between yourself and international business partners, utilizing bridging actor-oriented social capital is important in creating opportunity awareness.

Besides focusing on establishing individual business contacts the firms also recruited Chinese individuals with international contacts in order to visualize and identify international bridging opportunities (ITO4/5). The inter-firm interaction of the actor-oriented dimension was hence surpassed to include intra-firm acquirement of social capital by the means of individual recruitment. We thus feel a need to add an individual dimension of social capital in which the focus is on the value individual employees offer a firm when integrated into its organization. Even at the individual dimension the recruits seemed to be influenced by a socio-economic and cultural bonding attitude since they relied on their past international networks, failing to create new bridging connections. This aided opportunity visualization, but to a lesser extent, opportunity identification, and was constraining in the early opportunity realization phase.

- Recruiting Chinese managers with local socio-economic bonding social capital and access to individual international bridging social capital seems conducive to international opportunity visualization and identification.

In the *international opportunity identification phase*, it is evident that access to local bonding social capital within the actor-oriented dimension can be beneficial when identifying international opportunities (ITO5). Indeed, the embeddedness in local networks of bonding social capital can be a primary attraction for inward investment (ITO6), leading local firms to skip the international opportunity visualization phase.



- Structurally closed networks might be hard to penetrate for inward investors making structurally embedded local bonding social capital attractive to foreign firms seeking to penetrate the Chinese market.

However, whilst local relationships are a valuable resource for international firms trying to establish operations in China and it seemed that international firms wanted to establish such relationships directly with the Chinese firms in the bonding local networks (ITO7) during the international opportunity identification phase.

- Some form of relational distancing from local actor-oriented bonding networks may be needed to gain bridging relationships with international actors to better identify international opportunities.

In the *early opportunity realisation phase*, it seems that the international individual bridging relationships between the Chinese and the international firms morph into international bonding social capital at an actor level (ITO8/9). This also meant that the bonding socio-economic form of social capital started to loosen its grip over the firms and their cultural inclination to favour local, exclusive and close bonds started to fade. We detected a tendency for international networks to structurally cluster around international bridging agents and that this generated internationalisation opportunity visualization. It seemed that in the phase of early opportunity realisation such clustering could be hindering for those firms with international bridging connections. Being in a bridging position can make other relationships within a network redundant, a trait often associated with high centrality within a network. Indeed, creating actor-oriented bridging relationships might tie a firm into a relationship where the value of bridging relationships is due to the exclusivity of the bridging connection and therefore hinder the creation or utilization of other relationships (ITO10). Moreover, being highly centralised within a local network while possessing international bridging relationships might also elevate the pressure of using this position to mediate information

within the local network (ITO11). This might shift the focus from the exploitation of international opportunity realisation towards the exploration of other internationalisation opportunities.

- Being in a bridging position in an actor-oriented network entail balancing forces of bridging exclusivity and/or sharing your bridging relationships locally in order to realise international opportunities.

If a firm has relocated in order to enter an open network to elevate its international opportunity awareness, such distancing from strong local bonding structures might be hindering in the early opportunity realisation phase (ITO12). Strong structural bonding social capital connects to local resources, enabling the exploitation of opportunities, while international bridging social capital enables opportunity exploration. Re-entering into open networks might hence facilitate international opportunity visualization and identification, but hamper opportunity realisation since locally closed networks might provide access to local resources.

- Access to bridging structural social capital facilitates opportunity visualization and identification, while structurally closed bonding networks aid international opportunity realisation.

It is evident that the use of the bridging and bonding forms of social capital differed during the phases (See Fig. 3). This not only highlights the duality of the effect that social capital can produce (Eklinder-Frick et al., 2014; Putnam, 2000) but it also offers support to that such effects differ in different phases of business relationships (Halpern, 2005; Leonard & Bellamy, 2010; Uhlaner et al., 2015). The importance of cultural properties, the structural properties of networks and the properties of actor position in networks also differ during the process of social capital development.

## 4.2: Theoretical contributions

A key theoretical contribution of this paper is to offer understanding of how social capital interacts with international opportunity development in SMEs' early internationalisation. In adopting a perspective on social capital as multi-dimensional in international take off (e.g., Lew et al., 2013; Lindstrand et al., 2011; Prashantham & Birkinshaw, 2015), we offer a specifically processual analysis of how such interplay between social capital and international opportunity development unfolds over time. Previous studies have highlighted that social capital is not a static form of capital, but its effect is dynamic and changes during the internationalization process (Agndal et al., 2008; Lindstrand et al., 2011;). Influenced by work by Jansson and Söderman (2012), the empirical findings presented in this paper expose the subtle interplay between social capital and pre-internationalization activity during international take-off episodes. By breaking down the understudied area of pre-international behaviour in SMEs (Tan et al., 2007) into a series of temporally finer-grained phases, based on a SMEs orientation to opportunity, we thus offer support to the notion that social capital is a *dynamic* concept. This approach meets contemporary calls within the Uppsala school of thought for internationalization to be considered as an entrepreneurial process (after Schweizer et al., 2013), but also shows how balancing mechanisms of bonding and bridging social capital will exert influence during such processes. Lindstrand et al. (2011) has shown that being part of a structurally dense network does not alone facilitate internationalization, since the cognitive and relational content of the network also must support internationalization behaviour. Our findings build on this contention by offering fine grained processual analysis of how interaction in networks furthers take-off.

In this paper, we further use the bonding and bridging forms of social capital to understand why investigating network structure alone will not fully reveal the mechanisms

behind internationalization. Being in a network, rich with bridging connections, aids opportunity visualization and identification, however, distancing oneself from locally binding networks can aid the realization of such opportunities. This offers support to studies that have highlighted that bridging and bonding forms of social capital interoperate (Edwards & Onyx, 2007; Leonard & Bellamy, 2010 Uhlaner et al., 2015). However, our study shows that such interoperation will differ when seen from a processual perspective – since different mechanism of social capital facilitate different actions during the different phases of pre-internationalization. Bridging social capital can enable the identification of outward internationalisation opportunities, but can constrain its realization, while bonding social capital will attract inward internationalization opportunities and enable realisation of outward internationalization opportunities. This dynamic also offers insight into why home-country relationships can be detrimental to the process of internationalization (after Milanov & Fernhaber, 2014; Prashantham & Birkenshaw, 2015), thus further debunking the notion that all forms of home-country social capital are ubiquitously good for internationalization efforts.

Consideration of social capital as multidimensional offers particular value to the study of SMEs by shedding further light on the movement between individual network participation, and collective notions of cognition, culture and socio-economic properties of social capital (Eklinder-Frick et al., 2014; Nahapiet and Ghoshal, 1998). The study shows that bonding socio-economic social capital constrained opportunity visualization, however, such socio-economic bonding seemed to be conducive towards opportunity visualization if combined with bridging relationships on the individual dimension of social capital (Lindstrand et al., 2011; Prashantham and Birkinshaw, 2015; Prashantham, Dhanaraj and Kumar, 2015;). Also, the bonding socio-economic social capital seemed to loosen its grip over the firms as bridging actor-oriented social capital formed during the early opportunity realisation phase (Agndal et al., 2008). The relationship between structural and actor-oriented

social capital also seemed to change, as opportunity identification became realization (Lindstrand et al., 2011). In the identification phase, bonding structural social capital was constraining for finding internationally bridging actor-oriented connections, however, the opportunity realisation of such actor-oriented relationships was in turn hindered by bridging network structures when the local bonding relationships became eroded. Moving between bridging and bonding network structures will thus offer different prerequisites for utilizing actor-oriented social capital as the process of internationalization take-off develops (Leonard and Bellamy, 2010; Uhlaner et al., 2015).

#### **4.3: Limitations and future research directions**

As with all research, our findings have limitations. Firstly, the sample of 20 respondents was drawn from different sectors. Further research could better establish whether such episodes were more specific to different sectors within China. Also, the impact of geographic proximity would benefit from further study in respect of take-off episodes. In much of the literature, social capital is defined as a type of tie; for instance, ethnic and non-ethnic ties, host-country and home country ties, family members' and directors' relationships while another stream analyses the relational, structural and cognitive dimensions of social capital. There would seem to be much scope for a further cultural dimension to be examined in conjunction with social capital and early internationalisation behaviour. Whilst we did not focus explicitly on the *gunaxi* and *renqing* ideas (Gao, Knight & Ballantyne, 2012; Lin, Huang & Hsu, 2012), in this paper, further study in China examining these principles in international take-off is likely to be enlightening. Further study in other collectivist societies and comparison between collectivist and individualistic societies would also seem to form an important part of an agenda for further study of the role of social capital in international take-off.



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