

Trust in Born Global SME's Social Capital: A Cultural Ecology Perspective

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Abstract

As an extension of the traditional stage internationalization model of small and medium enterprises (SMEs), born global (BG) theories have become popular with the practitioners and academia of international management. As the post-stage internationalization approach, born global theories still need conceptual contributions from other branches of management studies. In this paper, the perspective of cultural ecology will be adopted to analyse the essential cultural value difference that prevails in BGs' trust-led social capital, which translates the BGs' network into the elements of trust and social capital. These elements inherit a significant ecological impact.

Keywords

Born Global; Networking; Trust; Social Capital; Cultural Ecology; Cross-Cultural Psychology; Public Policy

Introduction

Recent advances in the born global theories have often ignored the importance of culture (Harveston et al., 2004), which is fundamentally detrimental to the continuous development of the conceptualization building of the BG theories and practices. Culture as a transmitted pattern of meanings embodied in symbols (Greetz, 1973) and collective programming of the mind (Hofstede, 2001) is essentially transcended into every aspect of organizational and our personal lives. This is particularly true for the smaller organizations such as SMEs and BGs, where the organizational and resource mechanism is relatively weak. Cultural values can often be used as a decisive factor for sustaining small companies' competitiveness in globalization (Cirjevskis & Ludviga, 2007; Steensma et al., 2000). There are a few key determinants of born globals' (BG) success: namely the network capacity (Freeman & Cavusgil, 2007; Gabrielsson & Kirpalani, 2004; Hermannsdottir, 2008), knowledge and innovation (Englis et al., 2007). In this paper, I will thus focus on the trust issue, which is central to the network building and maintenance of born global firms. A network is one of the most important assets of BGs, if not the most important one. Due to its lack of resources, scale of economy and experience, a born global's success is highly dependent on the successful adaptation (Sharma & Blomstermo, 2003) of both the network of the external target market (Karra et al., 2008) as well as the home-based network (Englis et al., 2007; Zhou et al., 2007). Trust in this sense is rather a powerful aspect of the structural consideration of a network. In this paper, the interdependent relationship between trust, social capital and the network of the BGs will be considered.

The novelty of a BG's network capacity lies in the concept of social capital (Arenius & Autio, 2002; Ellis, 2000) or human capital (Melen & Nordman, 2007), as trust plays a fundamental role in forming such a network (Hurmelinna et al., 2002; Podolny & Page, 1998). Trust is the willingness to permit the decisions of others to influence one's welfare (Sobel, 2002), which is the basic unit of social capital. Trust management thus is advocated as the modern approach to social capital (Grudzewski, 2008). As most of us living on this planet today are moving toward a post-information networking society, the diminishing time span of the product life cycle and organizational growth recalls our attention to the issue of trust. Trust is recognized as more important for the BGs than the

traditional contract-based relationship (Humelinna et al., 2002) since many coordination problems might not be solved by the market mechanism or hierarchical structures (Fink & Kraus, 2007).

Cross-Cultural Ecological Variations

The recent attempt to formalize the cultural ecology concept within international management (Chou, 2009) has resulted from an evolutionary process of the classical dimensional cross-cultural models proposed by scholars such as Hofstede (2001) and Trompenaars and Hampden-Turner (1997). Cultural ecology studies the changing interdependency between the culture and environment (Steward, 1955) under constant adaptation (Berry, 1977; Cohen, 2001). **Climates, geography, population** and **resources** can all influence the value system, which is a core part of culture (Hofstede, 2001; Kluckhohn & Strodtbeck, 1961). Trust, the development of social capital and a network are in fact the adaptive products of the cultural ecology. Each structure of a network can thus be interpreted as a cumulative evolutionary (or involutory) product of the social environment in which it evolved. In order to change the social structure of the system, it is therefore rational to change the core of the system, which is the value structure of the system. Due to the persistence of ecological factors, the core value of a culture is often intact, and a change of behaviour can still sometimes have some positive influence on the actual value (Bem, 1970). In the case of creating a trustworthy institutional environment for the SMEs and BGs that rely on the social networks, policy makers should thus reconsider the transparency and legal structural issues in parallel with cultural ecological indicators.

On Trust

Trust is sometimes treated as a part of the utilitarian value (Grudzewski et al., 2008), which is essential for the analysis of the cultural values that prevail in many societies. Various researchers have indicated that the issue of trust has rather a cross-cultural significance (Doney et al., 1998; Kassa & Parts, 2008; Putnam, 2001). Different cultural clusters have different levels of trust (Hofstede, 2001). Doney et al. (1998) proposed that the calculative model of trust, where trustors must determine whether the targets' costs for opportunistic behaviour exceed the benefits, and trust by a capability process, where the trust building by means of a trustor's willingness to trust based on an assessment of the target's ability to meet his or her obligations as well as the trustor's expectations, are usually adopted by societies with high uncertainty and risk avoidance and power hierarchy values. Vice versa, trust that emerges via a prediction process whereby a trustor determines a target's previous actions and behaviour and trust by intentionality, where a trustor determines that a target's intentions in exchange are benevolent, are positively associated with the tolerance and egalitarian values societies have. Geographically speaking, due to the industrial concentration, countries with large inland regions tend to have economic concentrations in few localities, which fosters the larger disparity between the rich and poor (Krugman, 1999). This may form the social out-group distrust and bitterness that positively encourages the development of food-chain competitions. The World Values survey also measured the issue of interpersonal trust that results in a survival–self expression variation (Inglehart & Baker, 2000), which relates to the degree of survival stress people from a given society experience due to the climate and resources (Van de Vliert, 2009). Resource-limited ecological clusters with both excessive cold and heat result in stronger needs for thermal comfort that often lead to survival values that stress resource and opportunity competitions.

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“Inhabitants of poor countries with demanding climates are concerned with survival values and practices ... they feel unhappy and unhealthy. Adults, working more for money than for achievement ... people think it is necessary to be careful about trusting other people, with the consequence that they endorse autocratic rather than democratic leadership. (pp. 168–169, Van de Vliert, 2009)”

According to Tabellini (2006), in these ecological clusters, a lack of trust and respect for others is typical, where an individual is regarded as responding to instinct rather than reason; individualism in turn is mistrusted and to be suppressed. On the other hand, greater climate-based demands matched by wealth-based resources improve psychosocial functioning as the actors can turn threats into opportunities, and can experience satisfaction and pleasure instead of disappointment and social hatred. Out-group acceptance and trust in these societies are often taken for granted (Van de Vliert et al., 2009).

Therefore, we can stress that trust is ecologically pre-designated. More precisely speaking, resource-deprived ecologically disadvantaged countries experience a high level of out-group distrust (Van de Vliert, 2009; Van de Vliert et al., 2009).

From Trust to Social Capital

Social capital, despite its unstandardized identification, is about reciprocity (Putnam, 2001) based socially extended networks. Social capital has an institutional connotation (Sobel, 2002), which emphasizes the abridgements and extensions of otherwise non-institutional-related interpersonal or cross-personal networks. Coleman (1988) suggests that the interpersonal closure creates trustworthiness within a social structure that facilitates the building of weak ties among the social players. Institutional trust as a strategic resource can therefore come into existence. Like the issue of trust, the development of social capital also inherits the ecological limitation. Geographically, Putnam (2001) constructed a chart regarding the social capital in 50 US states. Although he didn't consider the ecological factors, one interesting thing that emerged is that the chart shows a distinctive north–south difference: the northern states generally have a higher level of social capital than the southern states. The same is true when it comes to the member states of the European Union, where Scandinavian countries have a much higher level of social capital in comparison with Latin Europe (Kassa & Parts, 2008; Parts, 2003). All of these research findings again confirm the solid foundation of the ecological factors of social capital.

The most profound feature of social capital is social closure, which creates trustworthiness within the social structure (Coleman, 1988), as the social life is the “common enterprise” we are reaching together (Grudzewski et al., 2008). Unlike closed networks, which generally favour in-group members or family-clan-based inner units, social closure requires a wide range of out-group social and institutional trust. Social capital can thus be summarized as a social extension of the trust closure. The cross-cultural differences in social capital as a result of the ecological variation may suggest stability and robustness of the development of BGs.

The Implication for Born Globals

Ecological determinants in culture state that extreme climate variation (Van de Vliert, 2009), deprivation of resources (Grossman & Mendoza, 2003) and disadvantaged geographic composition (Krugman, 1999) tend to produce a competitive but socially distrusted population. All these elements, on the other hand, are often immovable. Thus,

treating culture rather as a set of changeable practices, it is more reasonable to propose that the cultural values are held static (Hofstede, 2001). BGs as the social constructs are thus very likely to inherit the ecological traces of the cultures they represent. There are systematic differences in attitude toward cooperation and trust in entrepreneurs from different types of cultures (Steensma et al., 2000). Born global firms often come from small open economies (Harveston et al., 2004) that have a high level of social capital through the extensive social closure of trust, which is the natural birthplace (Persinger et al., 2007). As it is shown in figure 1, the process of building BGs' networks requires not only trust among the various players such as suppliers, customers, producers and agents, but the extensiveness of the social closure among these players is also crucial for sustaining the competitiveness of the BGs. A mere trust-led network is only functioning in a closed small-scale operation. To make BGs truly reliable in their reputations and strategically sound, it is important to consider the stage of transformation from simple interpersonal trust to institutional multi-level-based social capital. Social capital in many ways serves as a strategic component that is unique and difficult to imitate. However, on the other hand, since the issues of trust and social capital are ecologically pre-designated, it is thus very unlikely to expect any fast change in the founding locations of BGs. To facilitate the growth and development of BGs, societies in ecologically disadvantaged settings must therefore seek some alternative ways to improve the institutional trust by increasing the transparency of policies and legal rules. The future competitiveness of most nations will be highly dependent on the innovation and knowledge initiatives that SMEs strive for. Hence, the creation of a trustworthy institutional setting will encourage the development and start-up of BGs, which in turn will bring the national competitiveness a long way.

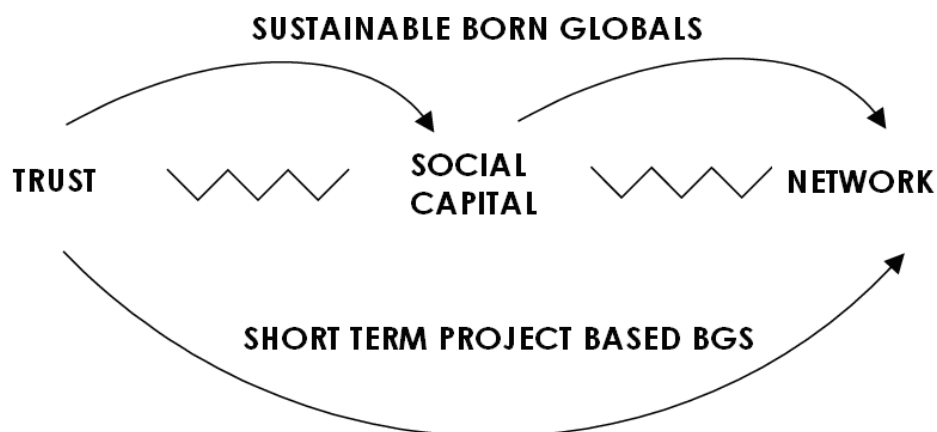


Figure 1, Trust in the Network of Born Global Firms

Conclusion

Trust-transformed social capital is not only an asset but the strategic resource BGs can build on. The fast pace of internationalization requires the kind of environment that can contribute to the evolution of social capital. Though ecological factors are pre-designated, policy initiators can still bring in a trustworthy cooperative industrial climate by reconciling the rule of law, transparencies of policies and bureaucratic reliability. As knowledge and innovation, the core competences of BGs are often described as the national competitive advantages. Creating the corresponding environment at large will hence stimulate the best strength of the BGs. Thus, this paper may provide another perspective for the policy makers in the developing world.

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