LOCAL NETWORKS & INTERNATIONALISATION OF FIRMS

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LOCAL NETWORKS AND THE INTERNATIONALISATION OF FIRMS: IN THE CASE OF BORN GLOBAL AND GRADUAL GLOBAL FIRMS

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Principal Topic

There are at least two different types of firm that enter international market, born global and gradual global firms. Both firms differ in terms of time and speed but they all depend on their international contacts. Many studies have explored the idea of international network. However, what is still lacking is the role of local network during this process. To what extent do local networks support or maybe even hinder the internationalisation process? By exploring the details of personal and firm networks, this study intends to reveal the importance of local networks for both types of firms.

Method

This study explored the role of local networks using multi-level analysis. The first level is the personal level, where firms develop their close and tight networks with their local contacts (Granovetter, 1993). Secondly, the analysis is done on the firm level, in which firms develop their link with other institution in their local region, such as university, suppliers, customers, etc (Oerleman and Meeus, 2005). Using data from 85 small international firms from the Netherlands, Norway and United Kingdom, we conducted a multilevel and hierarchical regression analysis.

Result and Implication

The analysis of this research confirms that there is a different role of local networks in the internationalisation of gradual global and born global firms. For gradual global firms, the attachment to local networks increases the internationalisation process while the same impact does not apply for born global firms. Although the presence of local networks can be clearly traced to the network of born global firms, the impact is not highly significant. Further, we found that there is an optimum point of these local relationships. In the case of gradual global firms, local networks may become helpful but will have a dark side if firms rely and depend heavily on them. For born global, the result shows that maintaining a long term relationship with university will have a positive impact on their internationalisation process.

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