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BRIDGING SOCIAL CAPITAL IN THE FOREIGN MARKET ENTRY AND ENTRY MODE CHANGE OF FAMILY SMES

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Abstract

Family business studies have focused on the importance of bonding social capital whereas, despite its importance, bridging social capital has not been the focus of much research to date. In the internationalization process of a firm, it has been argued that bridging social capital plays an important role. The purpose of this article is to examine the role of bridging social capital in the initial entry and operation mode change of eight family SMEs. We found that in foreign market entry social capital had generally the serendipity role based on weak and intermediary relationships. In the entry mode change, the role of strong and formal ties was obvious and the roles of social capital were most generally the efficacy and liability roles. Thus, it seems that the social capital of family entrepreneurs is limited to their strong bonding social capital and, perhaps, to their strong national social capital. However, when they start to internationalize their operations, they have to find new networks to gain bridging social capital which enable foreign operations. It seems that a limited amount of international ties drives family SMEs to search for relevant contacts from international exhibitions and trade shows.

Key words: family SMEs, social capital, bridging social capital, foreign market entry, entry mode.

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INTRODUCTION

Social capital has been proposed to be especially strong amongst family-owned businesses, because of the unification of ownership and management (Salvato & Melin 2008). A family business is an embodiment of the aspirations and capabilities of family members and has a strong social element affecting the decisions that determine its strategy, operations, and administrative structure (Chrisman, Chua & Steier 2005). This bonding social capital of family firms, also called family capital, is a well researched topic (e.g. Arregle, Hitt, Sirmon & Very 2007; Salvato & Melin 2008). Bridging social capital is also important for family firms (Arregle et al. 2007), especially in the context of their internationalization. However, this bridging social capital remains an under-researched topic in the context of family firms (Graves & Thomas 2004). Coviello (2006) argues that there might be a difference between the network formation of rapidly internationalizing new ventures and family businesses. Hence, a need exists to study the bridging social capital of family businesses.

In this paper, we discuss the phenomenon of social capital both from structural (strong/weak, formal/informal/intermediated) and economic (efficacy/serendipity /liability) dimensions. We contribute to the field of family business (FB) studies by addressing a gap in the literature and investigating bridging social capital of family firms. Secondly, this study contributes to the research of social capital in the context of internationalization by investigating family-owned SMEs, also regarded as the missing perspective in organizational research (Dyer 2003) and by investigating social capital in the context of a foreign market entry (hereafter FME) and entry mode change in a certain target country. This approach supports and expands on studies by Chetty and Agndal (2007) and Agndal, Chetty and Wilson (2008) who studied social capital in the general pattern of internationalization of SMEs. We respond to the call by Pedersen, Petersen and Benito (2002) who consider the current literature on foreign operation modes to be static, as researchers have paid very limited attention to changes in foreign operation modes after the initial entry mode.

The objective of this paper is to answer the following research questions: 1) What types of social capital do family SMEs utilize in their FME and operation mode change? 2) What kind of role does social capital have in these contexts? This paper is organized as follows: we begin by discussing the concept of social capital, and more specifically, its types and roles in the FME and entry mode change. Secondly, the methodological issues of the paper are elaborated. Thereafter, the findings of the study are presented and discussed. To conclude, the contributions and limitations of this study are debated.

SOCIAL CAPITAL

Resources available to actors in a network of relationships can be called social capital (e.g. Adler & Kwon 2002). This means that social ties between individuals can be used for different purposes that may result in benefits for actors within the network (Adler & Kwon 2002; Nahapiet & Ghoshal 1998). Burt (1992) claims that social capital, rather than financial or human capital, is the most significant factor contributing to competitive success in all types of firms. Nahapiet and Ghoshal (1998, 243) define social capital as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit".

Social capital differs from other types of capitals, such as financial, physic, and human capital. It is a form of capital that is not located within a certain place; instead it is embedded in relationships between actors in a social network (Adler & Kwon 2002; Coleman 1988; Nahapiet & Ghoshal 1998). Adler and Kwon (2002) also argue that social capital is a long-lived asset that can be used for different purposes and it can compensate for a lack of other types of capitals. However, social capital also requires maintenance. It has to be regularly renewed and reconfirmed to keep its efficacy (Adler & Kwon 2002).

Social capital is not static, but dynamic as it changes over time (e.g. Larson & Starr 1993). It might increase or decrease as firms deepen existing relationships, establish new ones and end problematic ones (Rauch 2001). However, social capital is not a "universally beneficial resource" (Nahapiet & Ghoshal 1998, 245). For instance a closed network can limit the group's access to new information and new ways of doing things, which can reduce the performance of the firm. The less social capital a firm has, the more it is exposed to opportunistic behavior, and building long-term relationships becomes difficult (Walker, Kogut & Shan 1997).

The *structural*, or architectural, dimension of social capital refers to the pattern of connections between actors and the *relational* dimension to resources attainable through the structural dimension, such as trust and trustworthiness (Granovetter 1992). In the study of *external* relations, in other words *bridging* social capital, the focus is on the relations an actor maintains with actors outside his or her network (Adler & Kwon 2002). In the study of ties among actors within a collectivity, the question is about *internal* or *bonding* social capital (Adler & Kwon 2002; Yli-Renko, Autio & Tontti 2002).

Types of social capital

To possess social capital, a person must have relationships with others (Portes 1998) and access to resources embedded into these relationships (Sobel 2002). Thus, it is important to study how these ties are developed and structured. Social capital ties can be regarded *strong or weak*. Strong ties are associated to relationships that are developed in interaction over the time, have emotional intensity, intimacy, and reciprocal services (Granovetter 1973). These relationships can be, for instance, between family members and/or close friends. An individual can have only a certain amount of strong ties because of the maintenance costs associated with more intimate relationships (Singh 2000). On the contrary, the number of weak ties can be high. These weak ties do not require high maintenance, but can significantly help the entrepreneur in accessing information. Granovetter (1973) argues that weak ties act as bridges to sources of information not necessarily contained with an entrepreneur's immediate (strong-tie) network: because entrepreneurs interact with weak ties only occasionally, it is likely that they provide more unique information than strong ties. This is also in accordance with the findings of Burt (2004) that new ideas tend to emerge through weak ties between separate social clusters. However, Granovetter (1985) argues that strong ties are more trustful as they consist of emotional bonds. This increases the willingness to offer advice and provide valuable information (Singh 2000). In their empirical study, Agndal et al. (2008) found that both direct (c.f. strong ties) and indirect (c.f. weak ties) ties were important to all the case firms in their FME. Their findings also reveal that direct relationships were important in the early phase of FME whereas indirect relationships had a more dominant role in later entries.

In addition to strong and weak ties, the structure of network ties can be divided into *formal ties, informal ties, and intermediary ties* (Ojala 2009). The formal tie refers to the relationship with other firms and is based on business or market relationships (Adler & Kwon 2002; Coviello & Munro 1997). For instance, Adler and Kwon (2002) explain that in market or business relationships, products or services are exchanged by using money or barters. However, it can be argued that these relationships are also embedded into social ties and are essentially social (Adler & Kwon 2002; Granovetter 1985). Informal ties, on the other hand, are related to relationships with friends and family members (Coviello 2006; Krackhardt & Hanson 1993; Larson & Starr 1993). However, the boundary between the formal and informal ties is not always clear. As Larson and Starr (1993) note, informal ties might become formal and vice versa. In the intermediary tie, there is no direct contact between the seller and the buyer. However, there is a third party, such as an export promotion organization or an organizer of exhibition that facilitates the establishment of the network tie between the buyer and the seller. In contrast to formal ties, there are no business transactions between the buyer and the intermediary or between the seller and the intermediary. These intermediary ties can provide links between actors in different markets and, consequently, initiate international business activities between the seller and the buyer (Oviatt & McDougall 2005). In his study, Ojala (2009) found that intermediate ties played a central role when Finnish software SMEs entered into a psychically distant market.

Larson and Starr (1993) argue that network ties of a firm evolve from informal ties to more formal ties during the organization formation. However, recent studies related to rapidly internationalizing firms contradict this assumption (Chetty & Wilson 2003; Coviello 2006). For instance, Chetty and Wilson (2003) found also that early internationalizing firms focus on formal networks whereas less international firms rely more on informal networks.

Roles of social capital

The internationalization process of firms can be viewed as a process of developing and accessing social capital, because firms initiate, establish, and deepen ties during internationalization (Johanson & Vahlne 2006). The *efficacy role* refers to the usefulness of firm's social capital and how it enables market entry or a mode change (Agndal et al. 2008). For instance, interaction between firms increases their knowledge about each other and enables each firm to access a partner's knowledge (Yli-Renko et al. 2002). Consequently, this helps with acquiring knowledge of new market opportunities and increases the efficacy of a firm's social capital. Chetty and Agndal (2007) found that the efficacy role of social capital was evident in the cases where the need for information changes and a close interaction with partners were important. This triggered a mode change from low-control mode to high-control mode. Agndal el al. (2008) argue that especially in the initial FMEs, the efficacy role of social capital has an important role.

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The question is about the *serendipity role* of social capital, when the opportunity of FME or entry mode change is triggered by an external party (Chetty & Agndal 2007). Hence, these unexpected events are not initiated by the firm itself but by serendipity and the implementation of changes is dependent on a firm's responses to new opportunities that emerge from networks (Crick & Spence 2005; Ellis 2000). In their study, Chetty and Agndal (2007) found that serendipity plays an important role when firms established joint ventures or subsidiaries from the initiative of partners or forthcoming employees. These unexpected opportunities were triggered by firms' weak ties, highlighting the important role of weak ties in serendipitous events. The findings of Agndal et al. (2008) indicate that in FMEs, the serendipity role of social capital becomes more influential when a firm is entering a geographically or psychically distant market. This also indicates that serendipity has a more dominant role in later FMEs. However, Crick and Spence (2005) found that serendipity has an important role both in the initial and later FMEs but is highly dependent on managers' capability to react and implement these new opportunities.

The *liability role* of social capital refers to problems caused by social capital (Chetty & Agndal 2007). It refers to a change in social capital that "occurs as a result of the high costs and amount of time required to monitor and sustain social capital and poorly performing partnerships that do not accomplish the expected sales" (Chetty & Agndal 2007, 12). This is based on the argument by Nahapiet and Ghoshal (1998) that social capital might also limit the openness and access to new information. The liability role of social capital can lead to mode change as a firm has to answer for negative situation in the market (Chetty & Agndal 2007). Chetty and Agndal (2007) found the liability role of social capital was the most influential factor for entry mode chance of their case firms. This was due to the inactivity of business partners, high maintenance cost with customers or distributors, failure with a joint venture partner, retirement of a partner, etc.

Chetty and Agndal (2007) and Agndal et al. (2008) found that in the FME of SMEs, social capital had the efficacy and serendipity roles, whereas in the context of the entry mode change also the role of liability was encountered. Efficacious and direct social capital was attached to early FMEs and serendipitous and indirect social capital was associated with later FMEs. Hence, the role of social capital changed with and was dependent on FMEs. However, these three roles are not mutually exclusive, because a specific mode change can be initiated by single or multiple roles of social capital (Chetty & Agndal 2007).

METHODOLOGY

Given the limited understanding we have of bridging social capital in the context of family SMEs, a qualitative research method was regarded to be the most appropriate for this study. The method utilized is a multiple case study method similar to approaches introduced by Eisenhardt (1989) and Yin (1994). The case study method enables an in-depth investigation and the explanation of cause-and-effect relationships as well as the usage of replication logic of a certain phenomenon, enabling researchers to identify the subtle similarities and differences within a collection of cases (Eisenhardt 1989; Yin 1994). The case study method is also relevant in a situation in which

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the study covers a real-life environment where the action, as a FME, takes place (Yin 1994).

The research setting is eight family firms operating in the French market with different operation modes. This allows us to study a foreign market entry in a context that is similar to all the case firms. The number of cases corresponds to recommendations made by Eisenhardt (1989) who recommends using four to ten cases. Family firm was defined as one that controls the largest block of shares or votes, has one or more of its members in key management positions, and members of more than one generation are actively involved within the business. This definition is based on the two criteria of ownership and management presented for instance by Graves and Thomas (2008), and the continuity view (see for instance Zahra 2003). Firm size was specified, as well: All the case firms had less than 250 employees at the time of the entry to France. Thus, they fulfilled the Finnish government's and EU's criteria for SMEs having 250 or less employees (OECD 2003). We also specified the industry: all the case firms were from the manufacturing sector. Suitable case firms were sought for in different databases, including Finnish export statistics, the French-Finnish Chamber of Commerce, and Finpro Paris. We identified six SMEs that had direct operations in France, five of which are included in this study. The remaining three cases are family SMEs that have indirect operations in France.

As advised in the study of Eisenhardt (1989), the case firms were selected for theoretical reasons instead of random sampling, fulfilling the objectives of this study. We selected the market entry to the French market as the context of the FME. This allows the investigation of FME in a certain context that is similar for all firms, because laws, regulations, and customs might vary in different markets (Shrader, Oviatt & McDougall 2000). In addition, it seems that France is a somewhat difficult market for Finnish family SMEs to enter despite its market potential (Finpro 2008) indicating the importance of social capital in this context. The social capital in the FME is studied in the context of SMEs, because the determinants of social capital are more transparent in them. Hence, we follow Yin (1994) by selecting cases in which the studied phenomenon is transparently observable. The dimension of family-ownership allows us to recognize how lifestyle firms with limited resources utilize social capital.

For anonymity's sake, the real names of these firms are not disclosed. Table 1 summarizes the key information on the case firms. Firms were established between 1876 and 1988. The number of personnel varies from 18 to 249 employees, the average being 106 employees. France was generally entered later in the internationalization pathways of the case firms.

Multiple sources of information were used to gather data from each case firm. The main form of data collection were in-depth interviews conducted with the owner-managers and persons in charge of international affairs. Altogether 16 semi-structured open-ended interviews were conducted with two informants in each firm. The questions were designed to be broad and open-ended, to gauge individual opinions. The interviews lasted from 60 to 90 minutes and were realized in 2004 and in 2008-2009. In the first round, realized in 2004, the case firms A, B, C, and D were studied by conducting face-to-face interviews with one informant per firm. Within the second round, executed in 2008-2009, one new informant from firms A, B, C, and D and two informants from Firms E, F, G, and F were interviewed. The interviews were held in four different cities in Finland. Questions were formulated to understand the business, their motivations to start and carry out the internationalization in general and in particular to France, and their background prior to the internationalization and the business start-up.

All the interviews were digitally recorded and transcribed verbatim with the help of a word processor. During the second listening, the correspondence between the recorded and the transcribed data was ensured. The complete case reports were sent back to interviewees, and any inaccuracies they noticed were corrected based on their comments. In addition, e-mail communication was used to collect further information and to clarify inconsistent issues from the interviewees if needed. The respondents

Table 1. Information about the case firms.

	Number of employees	Year of establishment	Beginning of internationalization	Number of countries entered before France	Operation modes in France
Firm A	249	1876	1970s	5	1982 export 1985 subsidiary
Firm B	18	1923	1929	7	1968 export
Firm C	200	1967	1980s	4	1997 subsidiary
Firm D	20	1973	1990s	2	1998 export 2002 representative
Firm E	140	1972	1980s	>10	1989 export 2006 subsidiary
Firm F	40	1988	1991	0	1991 subsidiary
Firm G	30	1978	1980	4	1990 import 1991 export
Firm H	150	1955	1990s	10	1993 export

interviewed were personally involved in FME process, except for Firm D in which the person responsible for entry to the French market had passed away and the interviewees were the current person in charge of the international affairs and the present owner-manager. However, the internationalization history of Firm D was well documented. In addition, many types of secondary information (websites and annual reports, etc.) were collected and analyzed. By comparing the interview data with other documents of the case firms, we carried out a triangulation of information (Miles & Huberman 1994). This also increased the validity of the interview data and enabled us to form further questions to clarify incoherent information (Yin 1994).

In the data-ordering phase, a detailed case history of each firm was formed, based on interviews and written documents. Pettigrew (1990) suggests that organizing incoher-

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ent aspects in a chronological manner is an important step in understanding the causal links between events. In the data analysis phase, cross-case pattern searching was utilized. The unique patterns of each case were identified and similar patterns were categorized under themes based on the research questions in this study. Also checklists and event listings were used to identify critical factors related to determinants explaining social capital (Miles & Huberman 1994). To conclude, the emergent data was compared with previous studies, both with conflicting and similar findings.

FINDINGS AND DISCUSSION

In this section, the findings of the study are presented and discussed based on the type and role of social capital in the case firms' market entry to France. The type of social capital is investigated based on strength of the tie *(strong or weak)* and the structure of the relationship *(formal, informal, or intermediary)*. The role of social capital is analyzed by dividing those into *efficacy, serendipity, and liability role* encountered in the FME and entry mode choice. Figure 1 summarizes the types and roles of social capital in the FME and the entry mode change of the case firms.

	INITIAL ENTRY:				OPERATION MODE CHANGE:			
	Year	Type	Role	Mode	Year	Type	Role	Mode
Firm A (1876)	1982	weak, intermediary	serendipity	export	1985	strong, formal	efficacy	subsidiary
Firm B (1923)	1968	weak, intermediary	serendipity	export				
Firm C (1967)	1997	a) strong, formal b) weak, intermediary	efficacy; serendipity	subsidiary	2007	strong, formal	liability	ended
	1998	weak, intermediary	serendipity	export				
Firm D (1973)	1998	weak, Informal	serendipity	export	2002	strong, formal	efficacy & liability	representative office
Firm E (1972)	1989	weak, intermediary	serendipity	export	2006	weak, intermediary	serendipity	joint venture
Firm F (1988)	1989	strong, informal	efficacy	subsidiary				
Firm G (1978)	1991	strong, formal	efficacy	export				
Firm H (1955)	1993	weak, intermediary	serendipity	export				

Figure 1. Type and role of social capital in the FME and entry mode change of eight family SMEs.

Type and role of social capital in the FME

In most case firms (A, B, C, D, E, and H), social ties in their FME could be considered *weak*. This indicates the importance of weak ties for family SMEs in seeking business opportunities in foreign markets. It also supports the ideas of Burt (1992, 2004) and Granovetter (1973) that unique information emerges through weak ties. It is also consistent with the findings of Agndal et al. (2008) that indirect ties play a more important role in later market entries. In all these six cases with weak ties (firms A, B, C, D, E, and H) the role of social capital has the *serendipity* role. This is in line with Chetty and Agndal's finding (2007) that unexpected events are commonly triggered by weak ties. It also gives support to the findings of Agndal et al. (2008) that the serendipity role is more dominant in later market entries and if a firm is entering psychically distant markets.[1] In addition, the strong role of serendipity in FMEs indicates good managerial capabilities in the case firms to execute these new opportunities (c.f. Crick & Spence 2005). Five out of these six case firms with weak ties used *intermediary* relationships for their market entry (firms A, B, C, E, and H) and one (firm D) *informal* relationship. Hence, FME was generally triggered by a third party not previously known by the case firm. This is in line with Ojala (2009), who found that intermediary relationships are important if a firm does not have existing relationships to utilize for the FME. In Firms A, B, E, and H, this intermediary contact was met at international exhibitions indicating the importance of exhibitions in their search for suitable partners. One of the informants in Firm A describes it this way:

> *Recently, I have been thinking of our international co-operators, and, indeed, most of them, we have found them in the international exhibitions. There people see that, okay, also this kind of a product exists, and they come and ask if we already have representatives. […] This is how it went with the French, as well.*

In Firm C, the weak and intermediary tie was found via Finpro (Finnish Export Promoting Organization). Firm C contacted Finpro Paris to find out if they had any potential candidates to market and sell their product in France. A Finnish woman living permanently in France, who had also worked for the Finpro Paris office, was found through this search. She was one of two important persons enabling the entry of Firm C to France, the other one being a strong and formal tie, a Finnish entrepreneur who also facilitated their entry (this will be discussed in more detail later in this section). Also in the case of Firm D, the central tie was weak, but informal as opposed to intermediary, as the person initiating their French FME was met by coincidence. This French enterpriser living in Finland met the representative of Firm D in one of its villas (that is the product of Firm D exported to France). This French enterpriser insisted on exporting the villas to France, because he saw that the French market had potential for this kind of a product.

Only in Firms F and G, the FME to France was based solely on *strong* ties, in other words ties developed in interactions over the time. In addition, one of the two ties es-

[1] There are several cultural and linguistic differences between France and Finland, see e.g. Irrmann, 2006; Trompenaars & Hampden-Turner, 1997. In their study, Johanson and Wiedersheim-Paul (1975, 308) define psychic distance as "…factors preventing or disturbing the flow of information between firm and market".

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sential in the FME of Firm C was strong, whereas in the others discussed above one was weak and intermediary. All of these three strong ties were based on an originally business-based relationship. However, in Firm F, this tie had developed to an informal one, as the entrepreneur in Firm F had become a good friend of the subsidiary manager of their French subsidiary. Hence, it is classified as an *informal* tie. This demonstrates the dynamic nature of social capital as the nature of ties might change over time (c.f. Larson & Starr 1993). In Firms C and G, the strong tie was obviously *formal*. In Firm C, it was based on a Finnish entrepreneur, who agreed on starting to utilize the forest machine in France to promote it there simultaneously.

> *Well, we found a young and eager entrepreneur in Finland who took two friends with him and starting working there [in France] with our machine. We sold him the machine at a reasonable price. […] Then he found some work there and starting to earn, actually better than in Finland.*

In the case of Firm G, the initiator of the foreign market entry was their formal contact, French supplier who imported their products. The owner-manager of the firm commented on this as follows:

> *They wanted us to provide them with some of our products they did not produce there in France. That is how we started to export to France.*

In all of these case firms with strong ties, social capital played the *efficacy* role. Hence, the FME was based on the proactive exploiting of the strong social capital ties where information about business opportunities in France came through well known partners. For Firm F, France was the first country which it entered, demonstrating the efficacy role of social capital in the initial market entries (see Agndal et al. 2008).

Type and role of social capital in the entry mode change

In Firms A, C, D, and E, an entry mode change occurred after the initial entry to the French market. In three out of four cases, (Firms A, C, and D) the entry mode change was based on *strong* and *formal* social ties with the *efficacy* and/or *liability* roles of social capital. Firm A established a French subsidiary, because their French partners were good and trustworthy, indicating the efficacy role of social capital. One of the informants in Firm A describes it in the following way:

> *We ended up setting up a subsidiary after two-three years of exporting, because they were doing so well and we wanted them to concentrate only on our products. The manager of this subsidiary was a very good type and we trusted that it was worth inventing money on this firm. And everything has been going extremely well ever since.*

This supports the findings of Chetty and Agndal (2007) that increasing social capital between partners triggers entry mode chance from a low-control mode to a high-control mode.

In Firm D, both the efficacy and liability roles of social capital were present when a representative office was set up. The efficacy role refers to the French enterpriser that initiated the whole French entry and was a trustworthy person to set up a representa-

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tive office. However, also the liability role of social capital was centrally present in this context: Firm D initially wanted to form an extensive network of French retailers to represent their products. They tried dozens of retailers, but failed to achieve cooperation. Based on these difficulties, they needed to take care of the French trade themselves, and they ended up establishing a representative office. This demonstrates that the differing roles of social capital might be overlapping and exist simultaneously.

Similarly to Firm D, Firm C did not have a strategy or suitable networks to sell their forest machine in France or any other countries with success. Hence, they closed their subsidiary and the role of social capital in this case is regarded as one of a liability role. This is based on several problems encountered in the French market. One of the informants in Firm C saw this more as a strategic problem: Firm C was not able to sell forest machines globally with financial profitability. On the contrary, the French subsidiary manager of Firm C saw this more as a communication problem and lack of cooperation between the headquarters and the subsidiary.

Firm E is the only enterprise in which the ties initiating the entry mode change were weak and intermediary and social capital played the serendipity role. The French export operations encouraged the owner-manager of Firm E to look for new possibilities in France. However, they did not find any of the existing agents in France to have the potential to set up a subsidiary. Finally, their joint venture partner was found through a French organization “Invest in France”. Furthermore, the establishment of the production joint venture in France was a strategic choice:

> *It is natural that if you are abroad and you just sell, you often do not sell that much, because you have also other products to sell. When you set up a production subsidiary, the nature of selling changes totally – you need to sell all you produce. It is totally different from the situation of selling how much you like. […] We were lucky to find this Invest in France organization that helped us so much in finding a good partner in France. We had a couple of alternatives, and ended in one of them. We knew we needed to be in France and Invest in France made it possible to find an excellent partner to establish the joint venture with.*

This is in line with Chetty and Agndal’s study (2007) indicating that weak ties have a central role in serendipitous events. However, this finding also reveals the intermediary role of export/import promotion organizations in the entry mode chance and serendipity events.

CONCLUSIONS

This study makes several contributions in the field of FB. Firstly, this study investigates bridging social capital that is, despite its importance, an under-researched topic in FB studies. Our findings also validate studies by Chetty and Agndal (2007) and Agndal et al. (2008) who demonstrated how roles and types of social capital affect FME and entry mode change in the context of family SMEs. In addition, this paper responds to the call by Pedersen et al. (2002) to investigate entry mode change after the initial FME.

In the FME of these eight family SMEs, social capital had generally the serendipity role based on weak and intermediary relationships. The intermediary ties were most often met at international exhibitions. However, three out of eight case firms were able to utilize their existing, strong relationships for the FME, the role of social capital being the efficacy role. Nonetheless, most family SMEs do not have international ties, and they need to develop them for the FME.

In the entry mode change, the role of strong and formal ties was obvious and the roles of social capital were most generally the efficacy and liability roles. Only in one of the four entry mode changes encountered, weak and intermediary ties were utilized, and the role was the serendipity role. Hence, most often, family SMEs seem to concentrate on developing trustworthy relationships: if they succeed in it, they might change their operation mode from indirect to direct. Indeed, family SMEs do not seem to concentrate on finding new international ties once they have acquired the necessary contact to operate there.

All in all, it seems that the social capital of family entrepreneurs is limited to their strong bonding social capital and, perhaps, to their strong national social capital. When going international, they generally need to find new networks to collect some bridging social capital to make the FME possible. It is a resource they do not usually have from the beginning. Hence, there is an obvious need for more research concerning the bridging social capital of family SMEs to enhance the understanding of the social capital in their FME among others. In further studies, it is also important to study how bridging social capital affects firms' growth, customer relationship management, and on brand awareness.

Managerial implications

It seems that family firm managers can well compensate their limited international networks by attending international exhibitions. It also suits the general strategy of family businesses rather well: they rarely want to proceed in their international operations very quickly. In many of the case firms, the originally weak and intermediary ties became strong and trusted, enabling the establishment of a subsidiary and, simultaneously, the usage of their existing social capital. However, the presence in the international markets also facilitates the search for new potential partners.

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