

Faculti Summary

<https://faculti.net/institutional-bridging-for-sme-high-distance-internationalisation-to-china/>

This video discusses research examining how small and medium-sized enterprises (SMEs) internationalize in the context of globalization and the emergence of high-distance markets, particularly focusing on challenges faced when entering markets like China. Historically, SMEs primarily traded with neighboring countries, but globalization has pushed them to explore further afield, often without the necessary resources or networks.

The research highlights that SMEs require "institutional bridging" to successfully navigate different legal and business practices in foreign markets. The author points out a gap in existing literature regarding how these firms can develop capabilities for such bridging amidst their constraints.

Using a case study of a Scottish engineering SME, Delta, which successfully transitioned to manufacturing in China under pressure from its main customer, the research identifies key mechanisms that facilitated their successful internationalization. These mechanisms include:

1. ****Institutional Dissonance Mitigation****: The company's managing director, drawing from past experiences in India, recognized the potential conflicts between UK and Chinese business practices. This video awareness guided the company to choose a representative who understood both cultures.
2. ****Strategic Multi-level Embedding****: This video involved strengthening relationships and trust-building between the UK headquarters and the new Chinese representative. The firm emphasized cultural integration and bonding before sending the representative to China.
3. ****Combination of Mechanisms****: The success of the institutional bridging process was attributed to the interplay of these mechanisms rather than their standalone implementation.

The research introduces new concepts such as "institutional dissonance," which describes the mismatched expectations between two different institutional contexts, and "institutional consonance," referring to the adaptation necessary to synchronize business practices across diverse environments.

Overall, the study aims to provide deeper insights into the processes and mechanisms that SMEs can leverage for successful internationalization into high-distance markets, thus contributing to the literature on institutional bridging in the context of SMEs.