

Partnerships and internationalisation:

Companies, Internationalisation and Science Parks

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Abbreviations used in this text:

IASP	International Association of Science Parks
MNC	Multinational Company
SME	Small and Medium Size Enterprise
STP	Science / Technology Park

What do we mean by “internationalisation”?

The term “internationalisation” is not univocal, but before trying to agree upon its meaning it is convenient to remember that, whatever it may mean, its implications are not the same for multinational corporations (MNC) as for small or medium size enterprises (SME). To put it in a nutshell, for the former is challenging but for the latter it may become a titanic task.

The literature offers a vast array of definitions of MNC. Franklin Root’s definition, for instance, is quite descriptive and useful. According to him, a MNC is a parent company that: (i) engages in foreign production through its affiliates located in several countries (ii) exercises direct control over the policies of its affiliates, and (iii) implements business strategies in production, marketing, finance and staffing that transcend national boundaries.

Definitions of “small and medium size enterprise” (SME) are even more abundant than those of MNC. For the European Union, an SME is a company which (i) has fewer than 250 employees, (ii) has an annual turnover not exceeding EUR 40 million (or an annual balance sheet total not exceeding EUR 27 million) and (iii) is independent (i.e. other companies hold no more than 25 % of the capital or voting rights).

Since we are busy with definitions, it may be useful to keep a third one in mind: that of “joint venture”, which is a business organisation, established by two or more companies, that combines their respective skills and assets.

Quite obviously, the concept “internationalisation of multinational corporations” is a pleonasm, since its own name already indicates its intrinsically international nature. (The difference between the concepts of “international corporation” and “multinational corporation” is interesting but irrelevant for this article).

Although MNCs are not the main target of the average Science / Technology Park (STP), there are occasions in which the internationalisation process of a larger corporation actually affects STPs. Some examples could be the cases of corporate

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relocation, construction of new plants or facilities, or acquisition of smaller companies by the big players. In these cases, a good international strategy of a given STP, backed by a truly international mind-set of its management team and a sufficient degree of cosmopolitanism of its environment, is determinant for attracting the expanding MNC (whether physically –new facilities– or financially –acquiring equity on some of the smaller STP resident companies–) to the Park.

Nevertheless, as we have said, MNCs are not the main concern of STPs in most of the cases. Let us then focus on the issue of internationalisation of SMEs.

How can STPs support the internationalisation endeavours of their resident companies?

Much more than traditional businesses, STP resident companies, i.e. knowledge-based enterprises (which normally imply high degrees of innovation and utilisation of technology) are continuously exposed, for the good and the bad, to the phenomenon of globalisation and its effects. In fact, I believe that many of them choose to locate in a Science Park precisely because they feel that there is a certain “international flavour” to them, which may help them to undertake more successfully their internationalisation endeavours. Moreover, I contend that no Science or Technology Park can claim to be successful and to do its job properly unless they actually support the internationalisation efforts of its resident companies and implement services and programmes conducive to such end.

There are some aspects related to the internationalisation of an SME that Science Parks should consider, in order to develop adequate support services. For instance:

- International commercialisation.
- Partnerships in international projects.
- International joint ventures.
- International capital (equity / shareholders).
- International workforce.

It is worth noticing at this stage that success in any of these aspects has a basic requisite, namely: access to global networks followed by a proactive participation in them. Networking is a crucial activity of any modern business in an increasingly networked society and economy.

I will now briefly examine these different aspects and make some suggestions about how can STPs support their companies on each of them.

International commercialisation.

Most companies need selling their products or services abroad, as well as purchasing its inputs (materials, technology, knowledge...) in international markets. Anyone that has had to sell anything knows how hard a job this is. Selling at home is tough, but selling abroad is much tougher. You need more than just a good product: knowledge of the local mentality, of local laws, efficient distribution chains and systems, efficient post-sales attention to customers, sometimes you may need local associates or partners, etc.

This is one of the first stages in the internationalisation of any SME. Now a day, it is no longer conceivable to focus only on domestic markets, whether local, regional or even national. Technology-based SMEs imperatively need to target markets beyond their political or administrative boundaries and reach the global market place.

There are quite a few things that STPs can do to support their resident companies in this respect, such as organising companies’ encounters, missions to accompany their managers abroad or bring foreign managers to visit their own resident companies, studies on foreign markets and their conditions, etc. Nonetheless, these can be regarded as “traditional” commercialisation-support activities, and there is not much innovation

in them, although they can sometimes be very successful if they are well organised and managed and if they have continuity and follow a mid- or long term plan.

An interesting and daring approach is the one taken by some of the Dutch STPs managed by Zernike Group. These STPs become highly and directly involved in the international commercialisation of the products of many of its resident companies. To that purpose, they have set their own commercialisation company that actually sells the products of their resident companies, conducts international marketing researches, etc.

This approach is radically different to the typical STP commercial services, insofar the latter “helps to sell” whereas the former actually “sells”. The high value of such service becomes obvious as soon as we remember that, whatever the nature of the company, its technology, its shareholders composition, its governance, its country of origin, or whatever any other circumstances, there is always the same ultimate goal to reach: selling your products or your services. Any other final result different from this one, is as good as failing if we are talking business.

Partnership in international projects

Participating in international projects, such as the ones fostered by international or supranational organisations such as the EU, the World Bank, etc., can be one of the first solid steps of any young global enterprise towards greater levels of internationalisation. Many of these projects not only bring money to their participants, but also bring international contacts, experience in other ways of working and doing things, broader mental frames, etc.

Many STPs, very often with the help of the IASP, regularly inform their resident companies about projects in which they could participate, and actively support them in finding the adequate partners to join efforts and present serious bids.

This is, indeed, a good service that many STPs offer. It is a positive activity that presents but one risk: some companies get so used to obtaining funding from such projects that they forget that there exist a market beyond such projects. They become “institutional projects” specialists, and they pursue them regardless of whether they really have to do with their core business or not. They end up by running after such projects, not because they bring in funds for something that the company had to do with or without those funds, but because they bring in funds, period. The result risks being that these companies end up by becoming suppliers of only one main client: the project-producer institution. This is something that ought to be avoided at all costs.

International joint ventures

A logical step after participating in international projects could be setting up international joint ventures.

Up to a certain extent, the international projects mentioned before are forms of joint ventures, as we have defined them at the beginning of this article.

I am now referring to joint ventures that are more permanent. These can broaden the horizons of the small and medium size companies located in STPs, facilitate access to new markets, and give them experience in developing and managing strategic alliances.

STPs can be of great help in finding adequate partners for such endeavours, screening them, introducing them and act as good will ambassadors.

International capital

Young companies, especially the ones with global ambitions (the ones that any STPs wishes to have) often need extra injections of capital to be able to grow at the desired rhythm. Sometimes, such capital is found within the domestic financial markets, but in many cases, it would be strategically convenient to have international capital injected in the company. Money may not have a nationality, but investors do. Finding foreign investors for our resident companies may be a great advantage for them, since they may bring in, not only capital, but also contacts, knowledge of other markets, in sum, they may enrich the culture and vision of our resident companies.

STPs should work proactively in having a permanent portfolio of potential foreign investors for their growing SMEs. This implies gaining a reputation as serious and efficient brokers: STPs must make sure to present only serious businesses projects, potential winners, and must therefore develop good skills as business analysts. By so doing, they will obtain said reputation, which will contribute enormously to open the doors of the potential international investors, whether they are venture capital funds, banks, business angels or large corporations.

International workforce.

Mobility of the workforce has become one of the major features of the new global knowledge-based economy. Such mobility, as many other facets of globalisation for that matter, presents a conspicuous paradox: companies may both suffer and benefit from it. Indeed, very often they do both, alternately or even simultaneously.

Managing a growing global workforce is a highly complex matter. Let us briefly consider but a few of the issues involved:

1. **Costs.** The annual cost of sending a manager abroad is estimated to be 3 to 5 times the salary paid domestically. The costs of “importing” a foreign manager (SMEs do this more than the opposite) can also be considerably high in many cases.
2. **Human resources management.** Persuading employees to accept overseas assignments is becoming increasingly difficult: employees are more demanding, want to know how the assignment will affect their careers; certain parts of the world are becoming too unsafe for the taste of many. There are many cases of dual careers [both members of the couple work, so assignments abroad create family problems].
3. **Increasing expatriate failures,** (where failure means the employee returning home before the job is completed).

These problems imply that any company willing to cope with them has to work on 4 key areas:

1. Selection and training.
2. Compensation and career planning.
3. Taking into account the family situation.
4. Repatriation.

Selection and training implies choosing the best personnel to send overseas (or to bring from other countries) not only from a technical point of view, but also from a cultural adaptability point of view. Of course, once selected, employees must be trained to enhance their cultural adaptability.

Compensation of mobile personnel must consider that an overseas assignment for some people is a reward and a great opportunity, but for others is a disruption of their personal and professional career. Most likely, salaries are not the only way to tackle this problem (and not even the best one). Rather than better salaries, better chances of future promotion within the company are crucial. Many Japanese working abroad have often told me that they resist (and even resent) going back home because in many cases the years spent abroad are not regarded as a merit, but rather the opposite, and therefore their career possibilities are weakened.

Family situation has a huge impact on the quality and availability of mobile workforce. Children education, in particular, can be a huge problem.

Repatriation of the company's staff abroad once the assignment is finished or the agreed term ends is also a crucial issue requiring clever policies. Moreover, in many cases, especially in the case of emerging economies, there is another side to the "repatriation" issue: recovering young expatriate students. This is a major concern and activity in some places, and some Chinese Science Parks, for instance, have set specific support programmes for Chinese students returning to their homeland to create new companies, and have even erected special residential facilities for them.

One can notice two different strategies used to "recover" young expatriate talent. Highly developed regions simply display their advanced technology and facilities, their high salaries or other financial compensations, their way of life, good infrastructures and career opportunities to attract back their most talented young professionals that may have studied abroad.

On the other hand, emerging and lesser-developed regions often appeal to more abstract, albeit strong, concepts, and values such as loyalty to the motherland, ethnic identity pride and similar ones are invoked. It is ironic and interesting, from a sociological point of view, to notice how pre-globalisation concepts and mind-sets (for instance, the idea of identity based on ethnicity or "blood" rather than on civic convictions or values) are sometimes used to cope with the challenges posed by globalisation.

In general, STPs alone cannot make a given city or region attractive, but they certainly can contribute to make attractive areas even more attractive, in particular for the new knowledge workers.

Attractiveness for the mobile working force of our time is leading a growing number of STPs to consider alternative models: Science Cities, Learning Villages and similar initiatives are getting increasing attention. Talking about this evolution of the classic STP models is beyond the scope of this speech. However, we can summarise the idea saying that many STPs are beginning to realise that it may not be enough to be a place for working, that opens in the morning and closes at the evening. They are realising that it may be convenient to add new elements, such as residential areas, educational areas, leisure areas, etc., thus becoming innovation habitats where people can do much more than just working.

I think that it would be a good starting point if all STP managers agree on one thing: the question for most SMEs today is not whether they need to internationalise, but how to do it.

Awareness of this fact is a precondition for focusing on setting up services that help STP's resident companies to succeed in their internationalisation efforts.

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