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# High tech firms in small towns

## Organisational social capital and innovation capacity beyond core regions

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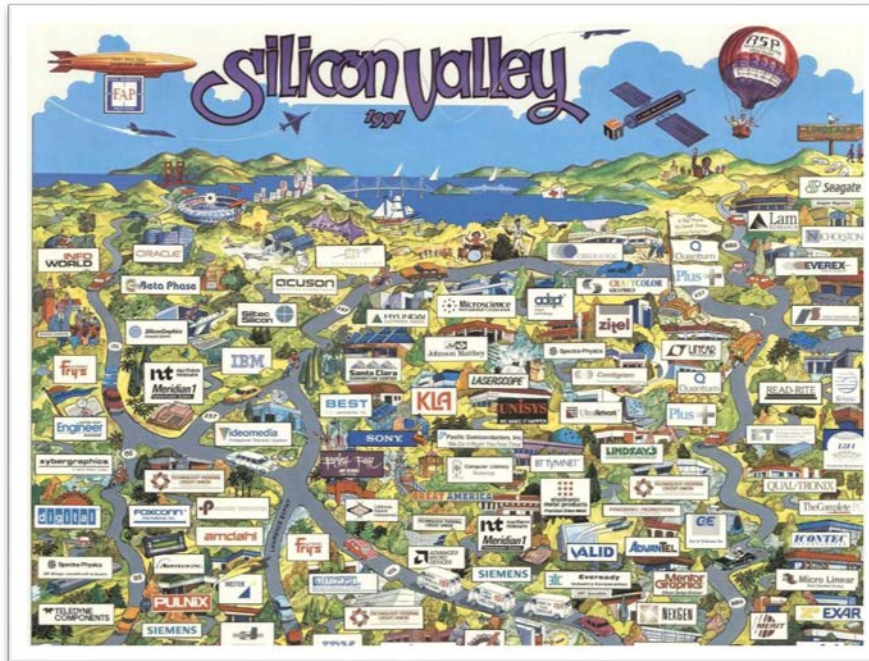
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# Innovation outside core regions

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- **Shearmur & Doloreux (2016):** Slow innovators → relying on non-market-sourced information and infrequent contacts
- **Isaksen & Karlsen (2016):** Experienced based Doing-Using-Interacting mode
- **Flåten, Isakens & Karlsen (2015):** Workplace learning enables firms to utilise knowledge in uncommon ways
- **Fitjar & Rodriguez-Pose (2011):** Other types of proximity, such as cognitive and organizational proximity, are more important

# Innovation outside core regions

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- **Tönnies (1887)** *Gemeinschaft und Gesellschaft* (*community & society*)
  - Characterises different forms of cohabitation
    - **Community:** familiar, family relations, neighbourhood and friendship → values and emotions
    - **Society:** impersonal, superficial, short term relationships between anonymous business actors → rational calculations



**Big cities: more society than community**  
**Small towns: more community than society**

# Organisational social capital

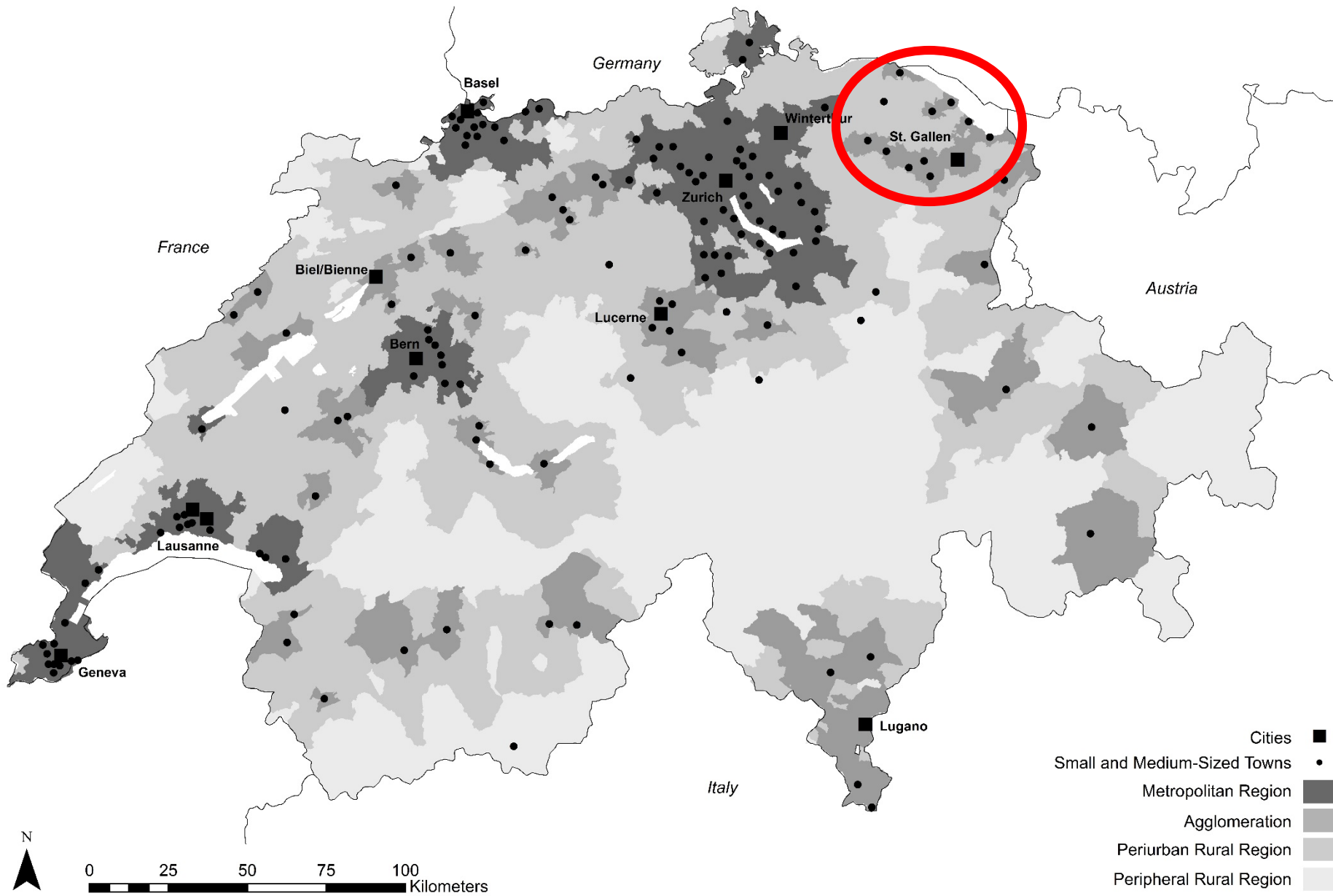
- Resource reflecting the character of social relations **within** the firm (Leana and Van Buren 1999)
- Three dimensions (Nahapiet and Ghoshal 1998):
  - **Structural:** Connections among actors
  - **Relational:** Respect and friendship
  - **Cognitive:** Shared goals and values among actors

How can organisational social capital be characterized in high tech firms in small towns and how does it contribute to the innovation capacity of these high tech firms?

# Method

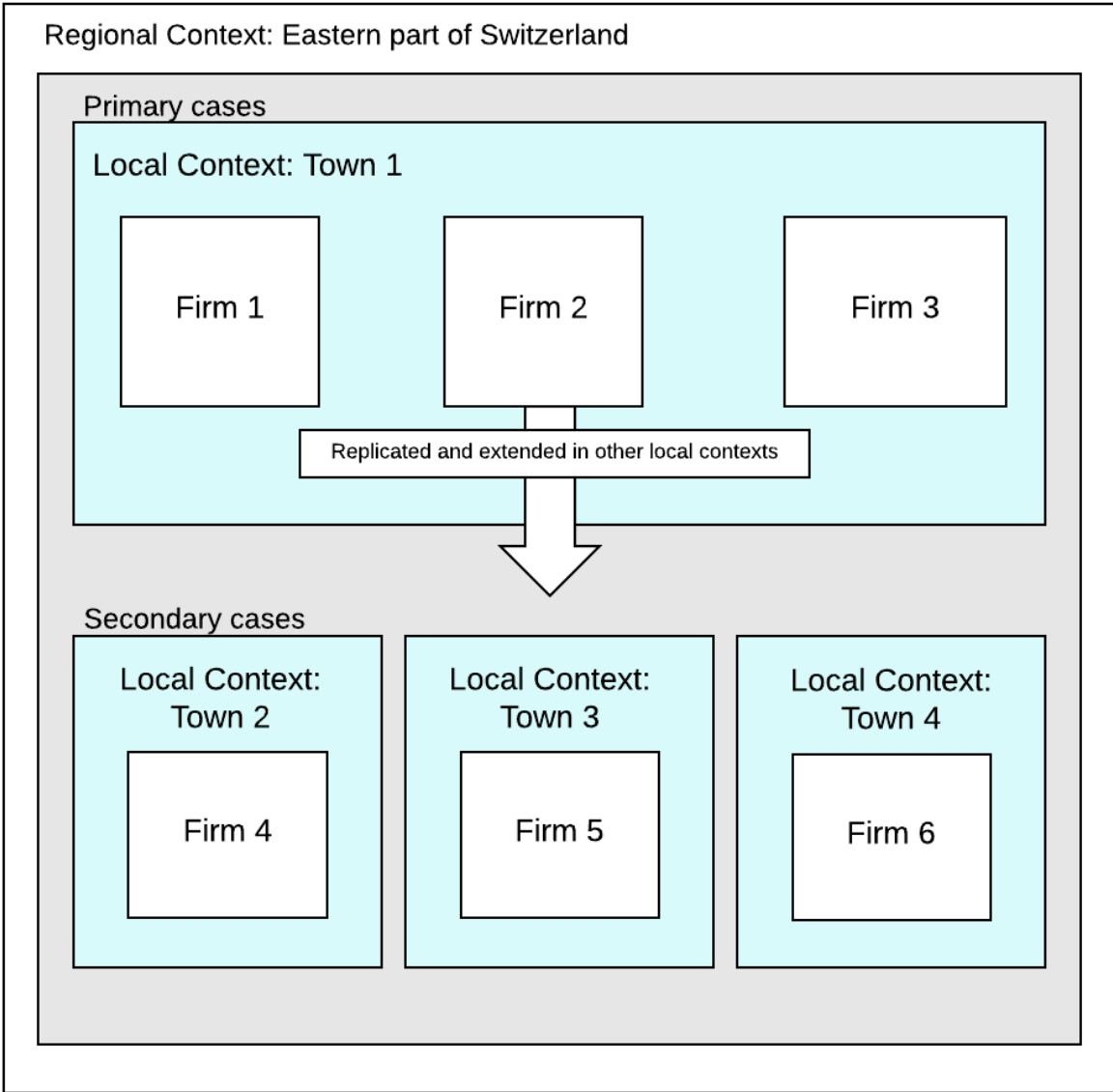
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- Small towns: certain amount of people, firms and institutions
  - Between 5000 – 25,000 inhabitants
  - Medium interaction environments
- Unit of analysis: High tech firms
  - Dominant employer in the town, national or world market leader
- > 28 Interviews: managers, executive directors, employees, representatives of regional/local industry organisations





# Method



## Number of Employees:

Firm 1: 800 in town 1, 4031 worldwide

Firm 2: 420 in town 1, 2000 worldwide

Firm 3: 135 in town 1

Firm 4: 640 in town 2, 2500 worldwide

Firm 5: 260 in town 3

Firm 6: 150 in town 4

## Preliminary results

### Structural

- > *„Our CEO is like a colleague. He eats with us lunch at the same table. We wear the cravat sometimes, sometimes not. Respect does not have something to do with such things – we know how life works. It means listening to each other and taking each other seriously. That is a breeding ground for innovation.“*
- > *„From the beginning on, we could not rely on local or regional markets or partners – we always had to go beyond local borders.“*

# Preliminary Results

## Relational

- > „An important point are the employees, that are still a little bit different here – we notice that. The loyalty is very high.

- > All over the world, we have multiplied our culture. You are always a «Bühler» and are welcomed with respect in every subsidiary. Moreover, if someone comes to us – from Zurich or elsewhere – they are astonished that everyone says “Grüezi”. There is a huge feeling of shared identity.

## Preliminary results

### Cognitive

- > *“The region depends on the firm. That has influence on the employees` working attitude. They do not only work to rule. They really want the firm to be successful.”*
- > „You do not have to include that in your dissertation – but no one drives a Mercedes S here, the highest of emotions is maybe a BMW X5 – that is also a really good car, but yes – we also do not have private helicopters – that is the secret of our success.“

# Synthesis

## Organizational social capital of high tech firms in small towns and its implications for innovation capacity

<b>Dimension</b>	<b>Characteristic</b>	<b>Influence on innovation capacity</b>
Structural	Informal networks among employees from different hierarchy levels and awareness of the importance of external linkages	Access to different actors for exchanging knowledge, cooperative behaviour
Relational	High trust and feeling of belonging together	(Tacit) Knowledge is easier exchanged, danger of lock-in
Cognitive	Importance of success of the firm, modesty	High motivation, same goals

# Conclusion

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- > Firms in small towns develop organisational social capital that has characteristics of small town attributes highlighted by Tönnies.
  
- > Small towns provide a specific context that allows big firms to develop their own specific culture resp. organisational social capital  
→ little concurrence, no or little local buzz, crucial player in the regional economy, informal contacts of the employees outside the firm,...
  
- > Contribution to the literature on innovation outside core regions:
  - Context in which firms are embedded has not only influence on how firms acquire knowledge (as showed in earlier studies) but also on how and why people interact and share knowledge within the firm

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**Thank you for your attention!**

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