

# Exploring Inward-Outward Linkages in Firms' Internationalisation: A Knowledge and Network Perspective

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## Abstract

Outward operations such as exports and foreign investment have received most of the attention in international business research, but the internationalisation of businesses also includes activities that are inwardly oriented. Inward activities like purchase of machinery and equipment, and procurement of raw materials and semi-finished goods provide many opportunities for learning about international business and for building relations with foreign actors. Often such activities – directly or indirectly – also lead to the opening-up of outward operation possibilities for companies. Recent research shows that for many firms international operations have evolved via various forms of inward activities, especially since such activities help develop a range of potential links through which information relevant to outward operations might be transferred. This paper presents a case study of the Norwegian company Moelven and its operations in the Russian market. Moelven's experience shows that inward operations should, at least, be considered as ways to initial entry and early development of a foreign market. Moelven was able to gain considerable benefits from its initial importing operation, in what was perceived as being a high-risk market. The various import activities and their outcomes not only provided a springboard for later outward operations, but they also helped lowering the perceived risk and uncertainty of the extended operations. The findings nevertheless show that the creation and utilization of knowledge through connecting inward and outward operations are paved with many obstacles, and the full potential of such connections was hence seldom realized.

# Exploring Inward-Outward Linkages in Firms' Internationalisation: A Knowledge and Network Perspective

## Introduction

Despite the fact that research on the process of internationalisation began at an early stage in the Nordic countries (Johanson and Wiedersheim-Paul, 1975; Luostarinen, 1970), there has been surprisingly limited development of a robust explanation of the dynamics of internationalisation in the intervening years. While knowledge was argued to be a key factor in explaining internationalisation in early conceptualisations of the process – based on empirical research regarding patterns of international expansion by companies in a number of countries – it has proven difficult to translate the broader work on knowledge into an internationalisation context. For example, experiential knowledge, following Penrose's (1959) depiction, was stressed in the early work as an important factor in constraining the rate at which foreign expansion might proceed (Aharoni, 1966). The 1990s saw considerable work on the concept of the knowledge-based organization and a range of related aspects such as tacit knowledge (similar to experiential knowledge), but as yet this has not been incorporated into the understanding of internationalisation (Welch, 2000). Many questions remain as to how, and through whom, relevant information enters the firm, is transferred within, and becomes available in a form that managers know about and are able to use in order to take action in the international arena (Benito and Welch, 1994a; Lord and Ranft, 2000; Welch, 2000).

Recent research on inward-outward connections in internationalisation does, however, appear to provide a new building block in explaining how the process evolves, and how knowledge aspects are intertwined. This research has shown that internationalisation should be considered from both inward (e.g. via imports) and outward (e.g. via exports) sides, rather than the current preoccupation with outward operations. This is especially so given that many, if not most, firms start their international operations through inward activities. Important too is the fact that inward international activities may influence whether, and in what form, outward operations evolve. In general, it would appear that the two sides are connected and influence each other in a variety of ways throughout the process of internationalisation (Welch and Luostarinen, 1993; Korhonen et al, 1996; Korhonen, 1999). For inward-outward connections to be made there have to be contacts between organizations and individuals, so that network theory and related empirical research have formed an important framework for research into the inward-outward phenomenon.

In part, the research on inward-outward connections provides an answer to an intriguing question raised by many exporting and other international operation studies: why is the level of unsolicited orders so high in the initiation of international operations? The fact that many firms develop international operations via various forms of importing activities opens up a wide range of potential links through which information relevant to outward operations might be transferred. Studies also indicate a further factor in the extended networking process: within company transfers (Korhonen, 1999; Lord and Ranft, 2000). Detailed case study analysis of a number of Finnish companies revealed that there was no automatic process which ensured the transfer of information relevant to outward international activity within the company to the person/s who could make use of it, for example from purchasing to marketing. Various barriers were shown to potentially constrain the process, largely associated with increasing size of the organization – for example, increasing formality of communication, physical distance between

and within units and hierarchical organization structures – but it was also noted that the perceived clerical nature of the purchasing function constrained information flow from that department to others (Korhonen, 1999, p.166). The research also revealed other departments, such as production and research and development, which were involved in international activities and developed networks generating information and knowledge potentially useful to outward international operations. The connections and influence, from inward to outward, and from outward to inward, were found to become more varied and complex as internationalisation proceeded.

In general, the limited work so far has revealed an important, neglected area within the study of internationalisation that has the capacity to make a major contribution to our understanding of how the process is initiated and evolves over time. It also links into key issues that have been at the heart of thinking about internationalisation since early Nordic research: information, knowledge and networks (Björkman and Forsgren, 2000). Further, the inward-outward research points to the need to look beyond the most obvious area in the company, and the people, directly involved with international marketing, and to consider the broad range of within-company transfers and processes, and activities of other departments that may be relevant to international operations.

Knowledge and learning are now recognized as major sources of competitive advantage for companies (Nonaka and Takeuchi, 1998). In this article, the authors seek to extend the research regarding inward-outward connections and internationalisation, taking a knowledge management perspective as a way of re-focusing on one of the key variables stressed in early research on internationalisation: “The research carried out at Uppsala on the internationalisation of business firms has to a large extent been focused on ‘knowledge’ as an explanatory factor” (Johanson et al, 1976, p. 27). The basis of the study was an investigation of the Norwegian company Moelven ASA and its operations in Russia, from 1993 (initiation point) to the

beginning of 1999. The investigation of the company took place during 1998-9. Although the company had been operating internationally for some time, and had a substantial level and spread of operations preceding the Russian move, the nature of the Russian market meant that it was perceived as a unique step in its internationalisation. The uncertainty, risk and turbulence associated with Russia was perceived as such that market entry was almost like a re-start of international activity, with little ability to draw upon preceding experience and activities from other markets to guide Russian entry. However, once Moelven's activities in Russia became established it was able to link up these to its wider international operations, utilizing the advantages of its international knowledge and networks. Moelven's Russian experience demonstrated the disjointed way in which international knowledge may be acquired and utilized within the company. Even though there is not a simple connection between the advance of a company's international knowledge and networks and the process and pattern of its internationalisation, by following inward-outward connections it is possible to gain some insight into how knowledge and network forces may be linked in a way which enhances the internationalisation of a company.

### **Conceptual Framework**

As noted above, and following existing research on inward-outward linkages, the investigation and analysis of Moelven explored the nature and effect of international inward-outward linkages – both outside and inside the company. Such linkages, while part of the company's overall internationalisation are depicted separately in Figure 1, contributing to and deriving from the overall process. While Moelven's internationalisation is examined, the focus is on its Russian activities. In addition, while other factors were undoubtedly in operation, the study concentrated on network and knowledge issues (as noted in Figure 1), the former having been shown to be important in earlier research on the topic, while the latter, although a key

component of much of the debate about internationalisation, has yet to be incorporated into investigations and conceptualisations of inward-outward linkages. Thus, Figure 1 can be viewed as an overall guiding conceptual framework for the study. A joining of network and information and knowledge aspects is considered to be critical if we are to (1) gain an understanding of what network connections take place as part of inward-outward activities, and how and why they do so, and (2) the nature, content and impact of flows through the established networks that affect the company's international approach, capacity, activities and commitments.

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Figure 1 about here  
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## **Empirical Investigation**

### ***Method***

Because the research project involved investigating the complex dynamics of difficult to identify processes, in an area where there had been little research to date, it was considered that an in-depth case study investigation offered the greatest possibility of reaching the people directly involved and the level of detail which would allow the charting and analysis of critical processes. Such an approach had been called for by researchers who had begun to explore the inward-outward phenomenon (Korhonen et al, 1996), and is in line with a more general call for methodological approaches in international business that have a longitudinal perspective (Benito and Welch, 1994a). Yin (1994), Patton (1990), Eisenhardt (1989) and others investigating the contribution of qualitative research methods to scientific research have stressed the ability of the case study approach to provide new insights into emerging research themes because of the in-depth knowledge of a company and its activities that is potentially accessible. This was confirmed in the Moelven study, particularly because most of the key personnel in Moelven's Russian operations had been involved since the beginning, were willing

interviewees, and could trace in considerable detail the steps taken throughout the Russian market entry and development process.

A key part of the qualitative data was obtained through a number of semi-structured interviews with company staff during 1998 and the beginning of 1999 at the company's headquarters in Moelv near Lillehammer, Norway. In total, seven interviews were conducted with three persons in the top management of Moelven. One of the interviewees was the Managing Director of the subsidiary, Moelven Nor East, which had been set up to handle the Russian operation. The three informants had been chosen because of their direct managerial role in the development of Russian activities. A semi-structured interview guide was used with open-ended questions. Two researchers were present at all interviews, one being primarily responsible for taking field notes. Since several interviews were conducted at different points in time, the researchers had the opportunity to get back to the interviewees for additional information. That allowed for clarification and extension of data in response to questions arising consequent upon the early stages of analysis.

In addition to the interviews, public documents also were accessed, such as annual reports, newspaper articles, press releases and company magazines, as well as internal company documents such as letters of intent and various strategy documents. This provided considerable scope for data triangulation. Throughout the analysis, data obtained from interviews were checked against that obtained from these additional sources, thereby contributing to the verification and validation of the findings (Patton, 1990). Investigator triangulation throughout the study further enhanced this process.

### **The Case Company**

Moelven Industrier ASA is a Norwegian company that has been quoted on the Norwegian Stock Exchange since April 1981. It has varied operations across a diverse range of countries in

the timber industry. At the time of the investigation, the company was organized into five divisions: Eurotimber, Eurowood, Interior Layout, Laminated Timber and Construction and Engineering. The company had about 2400 employees (almost 1300 in foreign subsidiaries) and annual revenues of NOK 3.5 billion in 1999. As shown in table 1, the international operations of Moelven are quite substantial. The company had subsidiaries in eight countries, and the Eurotimber division alone exported to 30 countries in 1999.

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Table 1 about here

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### ***Penetration of the Russian Market***

The chronology of Moelven's Russia related activities is shown in table 2. Even though it started quite modestly and as recently as in 1993, Moelven's Russian involvement was not a fortuitous event. In fact, the company had already considered importing from Russia in 1986/7. This was part of the company's continuous evaluation of potential supply points in different countries. Likewise, before importing took place, Russia also had been considered as a potential export market. Nevertheless, the sense of a new, relatively unknown and demanding market constrained the nature and extent of initial involvement, as one manager remarked: "we decided to start slowly and learn". In this respect, importing was viewed as a simpler, less risky way to begin, and it served as a balance, at the time, to the vagaries of local (Norwegian) timber supplies and resulting price fluctuations.

While limited research indicates that the inward-outward connection frequently is a fortuitous or accidental occurrence, it would appear that there was a strong deliberate element in the use of importing as a stepping-stone to outward activities in Russia. Through the process of developing the importing activity, the company was establishing the first parts of its Russian

business network, including the development of relations with regional authorities, and evaluating potential suppliers and transport alternatives, as shown in Figure 2.

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Table 2 about here

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Figure 2 about here

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The establishment of Moelven Nor East in 1994 entrenched, in an organizational sense, Moelven's commitment to the Russian market. This organizationally concentrated also the activities and information transfer regarding long term contacts and contracts for harvesting and importing timber related to the Russian market. Taken together, the range of knowledge and networking activities in connection with import operations facilitated the joint venture establishment with a Finnish partner and then the turnkey project. The initial joint venture arrangement, while it might be defined as the company's first outward step, was merely set up in order to support the importing process. The turnkey project was the first Russian operation which had an outward orientation; that is, a direct response to the prospect of exploiting a Russian market opportunity rather than simply supporting import operations. Although the project was partly initiated and financially supported by the Norwegian government – it involved building accommodation facilities for Russian officers withdrawing from the Baltic countries – interviews with Moelven managers indicated that their preceding import-related activities had helped in winning the contract. Moelven had Russian partner relations to show and special competence based on their knowledge of relevant logistics, infrastructure, customs and the like. It was felt that the company had built credibility in the field in Russia and was accepted as a long-term operator. Without this track record from inward operations, Moelven managers believed they would not have won the contract.

As indicated in figure 2, subsequent moves by Moelven in the Russian market clearly built on the foundation established through its preceding activities and arrangements. The wholly owned subsidiary set up in 1997 was an extension of its importing operation in that its primary role was to facilitate and advance imports from Russia. The joint venture planing mill established in 1998 was with its turnkey project partner Energomastroy (and the EBRD), thus directly benefiting from the preceding link. This outward operation was important not only in extending Moelven's penetration of the Russian market but for the first time in drawing the Russian activities into Moelven's wider international network and thereby linking them to the company's overall internationalisation process. Moelven used their network connection with Russian harvesting companies to locate potential suppliers of processed goods for their new production subsidiary, and got in touch with several capable Russian sawmills. In addition to supplying processed goods to their production subsidiary in Russia, Moelven also started importing processed goods to their subsidiaries in Norway and Sweden, as well as to other units in those markets. The domestic market for finished goods from the production subsidiary almost disappeared because of the economic conditions in Russia, and the subsidiary had to rely on European export markets in order to survive. The export contacts where initiated through Moelven's business network and international experience. The final step in Russia during the period under investigation was a joint venture to supply modular units for houses and offices within the Russian market, which benefited from Moelven's broadened base of networks, knowledge and local operations.

### **Analysis and Findings**

While Moelven's Russian operations began with a focus on importing raw material from Russia to Norway, its involvement gradually deepened and extended over the period under investigation, culminating in a mix of inward and outward operations, in part linked to the

company's European channels. At first sight the pattern appears to be 'classical Uppsala School' internationalisation, moving from simple operations at first, in the face of a perceived difficult market, with high risk and uncertainty, and without the benefit of previous experience there, to more complex, diverse and higher commitment operations as experience, knowledge and networks developed and perceived risk and uncertainty thereby diminished. In a sense, one might say that there is little new in this. However, closer examination shows that initial operations did not begin in a form normally included in studies of companies' internationalisation processes (Petersen, Welch and Nielsen, 2001). The key to understanding how Moelven's Russian operations were able to evolve was the first step via importing. The case data indicate that penetration of the Russian market would have been unlikely to take place without the importing option. Furthermore, the importing experience involved networking, knowledge building and marketing activities similar to those that are normally associated with outward oriented activities, similarly providing a means of lowering perceived hurdles to extended Russian operations, whether inward or outward. In other words, Moelven's Russian operations reveal quite dramatically the critical role of inward activities, in this case, as a precursor to, and explanation of, later outward activities. What is more, the impact was a continuing one, even after outward operations started, interacting with, supporting and being supported by outward activities. Thus, Moelven's experience provides further argument for inward international activities, and the dynamics of their links to outward operations, to be included as an important component of the theoretical and empirical treatment of internationalisation.

With regard to activities on the inward side that, directly or indirectly, provided a basis for eventual outward activities, and acted as links in the connection process, we concentrated on knowledge and networking aspects as these seemed to be at the heart of the unfolding process. In fact, it was difficult to disentangle and separate out the knowledge and network components,

as they were so closely intertwined. Much of the knowledge about the Russian logging and timber market was in the hands of individuals, so that the ability to access this knowledge depended on the establishment of links and the building of relations with these individuals and through them with their own and other organizations. This was the case at the enterprise level and with regional authorities. The importing operation provided a credible and positive focus for such development: sales to a Western market and the generation of hard currency. In this sense, it might be considered a better basis for penetrating a new market than those approaches aimed at the local market, as export business is being offered as a potentially major incentive for the opening up of valuable market intelligence and introductions to key market players. Of course, much depends on the array and quality of industry networks and knowledge possessed by the local exporters in question. These are valuable assets, and tend to be recognized as such in a turbulent environment (Roos et al, 1992; Tesar, 1993), and are typically not handed over freely.

### *Inward to outward*

As noted earlier, the joint venture with a Finnish company in 1995, two years after importing from Russia began, represented an extension of the initial importing focus, building on the foundation established through the range of inward activities. Although normally it would be defined as an outward international step – a joint venture in a new foreign market – it was neither a new operation nor outward oriented. Again, this step highlights the importance of tracing inward steps: rather than a leap into the unknown, the joint venture was a natural evolution of Moelven's Russian market involvement, albeit from the importing rather than the exporting side, but maintaining the importing focus. Inappropriate conclusions may well have been drawn from internationalisation studies in the past about leapfrogging or acceleration when explanations could have existed in firms' history of inward international operations.

This was perhaps most evident in the next step by Moelven in the Russian market, the turnkey construction project in 1996/7. This was clearly an outward international operation in every sense, being aimed at the local market rather than as an aid to importing. Although it could be viewed as a culmination of earlier interest expressed in the possibilities of exploiting the Russian market, it came in a form which was not envisaged. It emerged as an outcome of a Norwegian government initiative that had a political objective of facilitating the movement of Russian troops from the Baltic arena. Nevertheless, the ability of Moelven to win the project bid was directly connected to its preceding importing activities, and represented a clear connection point between inward and outward international activities. The general manager of Moelven Nor East emphasized the contribution from the importing activity in various ways (noted above), but in general he stressed the importance of the activities and the relations developed as building a climate of trust, in part with respect to being 'serious' about long-term involvement in the market. This was important in getting support from the governor of St Petersburg for the project. This is in line with the literature on international project operations in which networking activities have been shown to be critical for information gathering and influence on decision-making (Luostarinen and Welch, 1990).

The turnkey project, as an illustration of the process of inward-outward connection in international operations, provided evidence of both deliberate and fortuitous learning and networking activities that ultimately led to the winning bid (Mintzberg and Waters, 1985). There was an earlier expressed intention to move to outward oriented (aimed at the Russian market) operations, despite the initial focus on importing, and it is clear that management at Moelven Nor East were conscious of the potential of inward operations in creating a basis that could be used in later outward steps. However, much of what happened on the inward side could be said to have been somewhat fortuitously contributing to the eventual connection to the outward side. The primary focus, naturally, was to set up and ensure the success of the

importing operation, as evidenced by first the joint venture and later the wholly owned Russian subsidiary, both established to facilitate the importing process. Thus, in terms of Figure 3, which is a simplified depiction of three main approaches to inward activities preceding outward connection, Moelven would be represented by the mixed path, i.e. containing both deliberate and fortuitous elements.

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Figure 3 about here

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### *Inward-outward interaction*

As Moelven's mix of inward and outward operations evolved beyond its turnkey construction project, the array and complexity of inward-outward connections increased with impacts moving in both directions to the point that it was difficult to disentangle these, particularly once Russian and European operations beyond Norway were linked. Until that point, Russian activities had stood somewhat outside Moelven's broader international involvement which, as already pointed out, was quite substantial, and increasing, during the period under investigation, although not just confined to the timber division. The experience of Moelven illustrates the fact that it may be difficult for a company to capitalize on its general international operations and experience when moving into some new markets. All new markets involve entrant firms in the process of building new knowledge and networks. Russia appeared to be particularly demanding given the disruptive changes taking place with the move to a more market oriented economy (Benito and Welch, 1994b). It would appear that Moelven found it difficult to directly apply its experience from other markets in Russia, and there was a general consciousness of the time and commitment it would take to build an appropriate base. The establishment of Moelven Nor East at an early stage was indicative of the company's preparedness to commit to Russia, but at the same time it kept the activities for some time within the borders of this organizational

construct, which may have constrained the capacity for broader, and more international connections, whether inward or outward, to Russian operations. This was apparent in the experience of one of Moelven's other business units when it decided to set up a subsidiary in northern Norway in 1996 with the main purpose of exporting prefabricated housing modules to Russia. While in interviews the opinion was expressed that this was 'probably' part of the company's attempt to exploit the advantage of Moelven Nor East's strong position in the Russian market, the general manager indicated that he had never been consulted about this move. Moelven never went ahead with this operation, in large part because of the import restrictions it found out that it would face. This information was readily available within Moelven Nor East, but was never requested, reflecting generally weak links between the two business units. Organizational barriers to inward-outward connections were similarly found to be important in Finnish research (Korhonen, 1999).

### ***Knowledge creation and utilization***

From the outset of its involvement in Russia, Moelven's managers saw that building an adequate knowledge and network foundation was a key task for the company, if it were to succeed, and a demanding one. Significant organizational resources were committed to this process, and a high level of demands made on individual managers involved in the development of operations. For example, one manager from the purchasing department responsible for imports commented: 'Personal contacts were so important that during the first three years [of] dealing with the Russians I had between 50 and 100 trips to Russia, talking to suppliers and maintaining the personal network'. Nevertheless, while this activity generated a large amount of knowledge about the Russian market that it was able to use in advancing commitments, much of the knowledge remained unit and individually bound. There were no systems or guidelines within the company for 'downloading' knowledge from Russian activities. Much of the

knowledge was tacit anyway – something which other research has shown to impede knowledge transfer (Lord and Ranft, 2000) – and depended on the strong personal network among Moelven's managers for the transfer process. This was assisted by the fact that most of the senior managers had been with the company for many years. That the process was flawed was evident in the above example of the attempt to set up a subsidiary in northern Norway, and there were likely to have been other examples of information and network barriers within the organization which constrained the ability to make inward-outward connections.

### **Conclusion and implications**

The Moelven case demonstrates again the potential importance of inward international operations in kick-starting the internationalisation process of a company. As well, inward operations often involve activities that directly or indirectly lead to the opening-up of outward operation possibilities for the company. In Moelven's case these were partly deliberate in that the company had considered outward operations with respect to Russia, and was conscious of the contribution of import related activities towards that ultimate goal. In the end, the turnkey project was unexpected, but it was because of the network and knowledge foundation created by preceding import related activities that the company was in a position to successfully bid for the project. In simple terms, it is not possible to explain Moelven's internationalisation process without reference to the role of inward activities, at the outset, and on a continuing basis. It is evident that the connections between Moelven's inward and outward international operations became more varied and complex over time, as the outward side developed, making it more difficult to follow the direction and paths of influence. There is clearly much more research to be done to unravel the unfolding pattern of inward-outward influences if we are to develop a credible theory of the process of internationalisation.

Rather than challenging 'Uppsala type' sequentialist explanations of internationalisation, work on inward-outward connections may well support this line of thinking. As in Moelven's case, inward steps may play a role in filling in seeming gaps in companies' patterns of outward international commitments. At the very least, the inward side provides one important avenue of explanation of the often high level of unsolicited inquiries and orders in firms' export start shown by a variety of studies in different countries. In addition, Moelven's experience demonstrates the importance of knowledge and network factors in seeking to explain why and how companies internationalise, factors stressed in the early Nordic research. While the Russian market could be considered a special case, given the high levels of perceived risk and uncertainty that it generated in Moelven's management, in response to market differences and turbulence. Moelven was already a highly experienced international operator, but it was not able to readily apply this experience in the Russian market. Its international experience, if anything, made it more aware of how little it knew, and the size of the task ahead. Thus, it was highly focused on the learning task in Russia, through its initial importing step, which was viewed as the most appropriate way of coping with perceived risk. It is perhaps not surprising then that the initial importing related activities look much the same as those to be expected if exporting had been the first move, and performed a similar role in setting up later extensions in Russian involvement. Interviewees stressed that the extended commitments in Russia would not have been feasible without the local knowledge and highly personalized networks that had been developed. While it has become common to consign the Nordic model of internationalisation to explanations of the beginning stages, Moelven's experience provides a warning that the Nordic model should not be so readily discarded: for Moelven, Russia was almost like a re-start of the process of internationalisation. It was some time before it was in a position to link Russian activities to its wider international network of operations.

The Moelven case highlighted the importance of tacit knowledge regarding the Russian market held by key managers, who were involved in frequent contact with and visits to Russian suppliers, local government officials and the like. Knowing the right people and building relations with them was critical to the success and expansion of Russian operations. This was a highly personalised activity, requiring a sustained commitment of managerial resources over a considerable period of time. Such processes are an important reason for the gradualism shown in many internationalisation studies, but they also represent a challenge for companies such as Moelven in that they become vulnerable to the effects of staff transfers or exits, with the prospect that a key part of the knowledge and network base will leave with them. An implication from the Moelven case, therefore, is the need to put in place systems that more effectively transfer knowledge from individuals to a broader company domain. In so doing companies also may facilitate the process of making inward-outward connections, which are constrained by barriers to intra-company transfers of information between individuals. In this respect companies can become more proactive in seeking to expose knowledge which has been generated from inward international activities to more outward oriented parts of a company's international operations. Korhonen (1999) argues that one of the problems is often the relatively isolated and low status role of purchasing within organizations. In Moelven's case, the importance of the importing step for overall involvement was clearly recognized, so this was not a problem, but the information was not readily available to decision makers in another unit when an operation in northern Norway aimed at the Russian market was being considered.

A further implication for companies based on Moelven's experience is that the possibility of inward operations should at least be considered as a way of initially penetrating, and developing, a foreign market. Moelven was able to gain considerable benefits out of its initial importing operation, in the face of a perceived high risk market. Not only did the various

import related activities and their outcomes provide a springboard to later outward operations, but they helped to lower the perceived risk and uncertainty of these extended operations.

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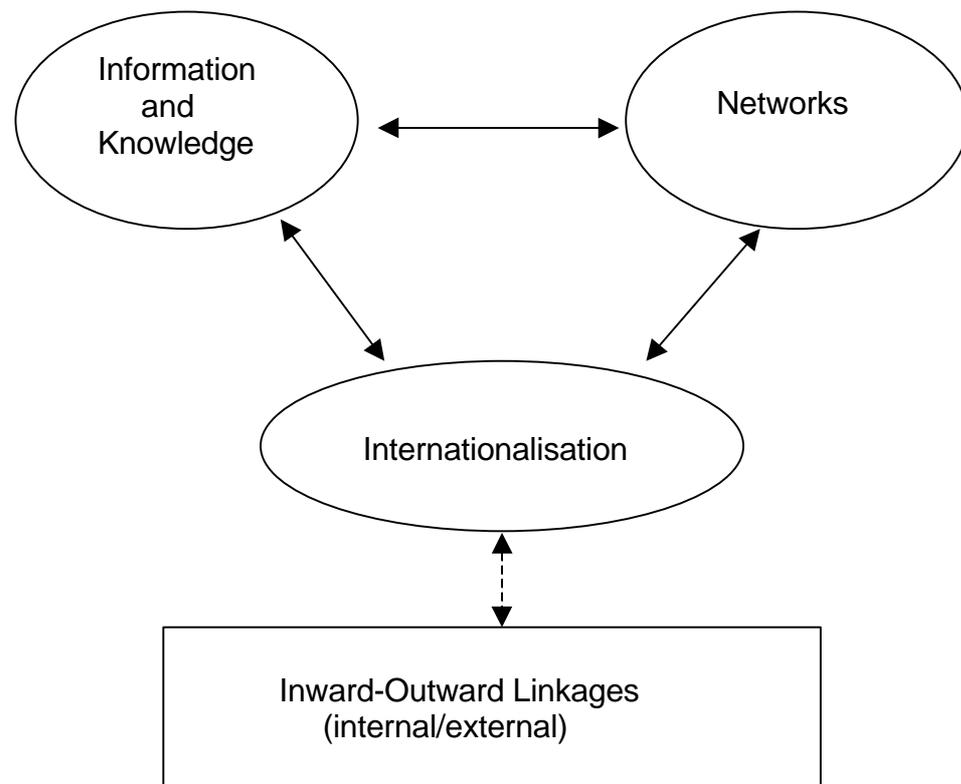
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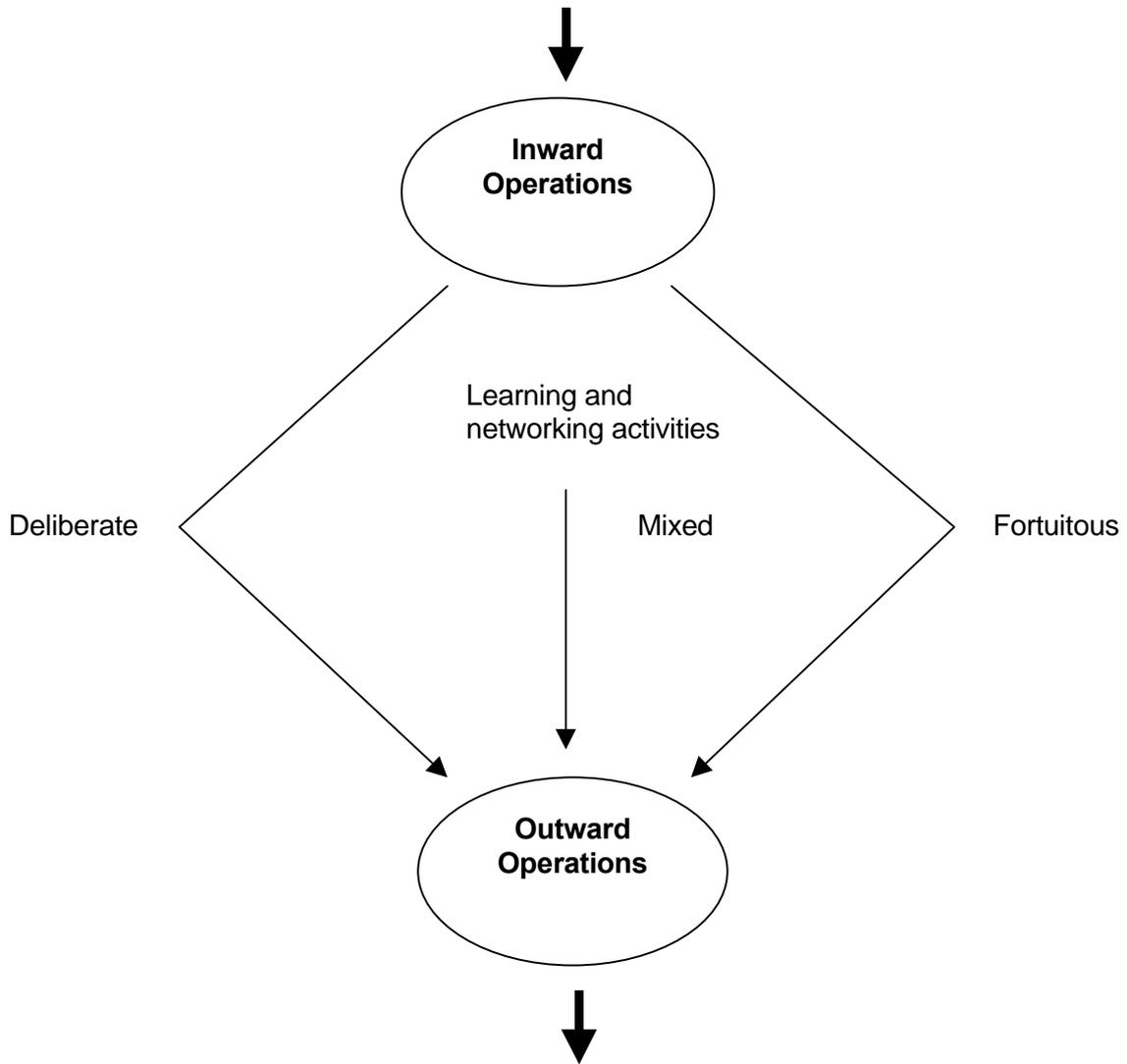
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**Figure 1.** Conceptual framework

Type	Activity performed by Moelven ASA	
Inward	<p style="text-align: center;"><b>Importing</b></p> <p style="text-align: center;">↓</p> <ul style="list-style-type: none"> <li>• Learning how to do business in Russia and about market opportunities</li> <li>• Establishing supply chain</li> <li>• Establishing network and building relations</li> </ul>	<p><b>Knowledge and network development</b></p> <p><b>8</b> (1)</p>
Mainly Inward	<p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Joint Venture</b></p> <ul style="list-style-type: none"> <li>• Expanding network and relations</li> <li>• Building relations with local authorities</li> </ul>	<p><b>Knowledge and network development</b></p> <p><b>8</b> (2)</p>
Outward	<p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Turnkey project</b></p> <ul style="list-style-type: none"> <li>• Expanding network and relations</li> <li>• Cooperation with Russian contractor</li> </ul>	<p><b>Knowledge and network development</b></p> <p><b>8</b> (3)</p>
Outward	<p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Joint Venture</b></p> <ul style="list-style-type: none"> <li>• Russian partner (same company as in the turnkey project)</li> <li>• Production unit</li> <li>• Export from Russia to Europe</li> </ul>	<p><b>Knowledge and network development</b></p> <p><b>8</b> (4)</p>
Inward	<p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Purchasing unit</b></p> <ul style="list-style-type: none"> <li>• Wholly-owned operation</li> <li>• Increased local goodwill</li> </ul>	<p><b>Knowledge and network development</b></p> <p><b>8</b> (5)</p>
Outward	<p style="text-align: center;">↓</p> <p style="text-align: center;"><b>Joint Venture</b></p>	

**Figure 2.** The inward-outward connections of Moelven's Russian operations



**Figure 3.** Approaches to inward-outward connecting activities

<b>History</b>	
Year of establishment	1899
Year of 1st export	1964 (Sweden)
Year of 1st FDI	1982 (Sweden)
<b>Current international activities, 1999</b>	
# of export markets (countries)	30
# of sales subsidiaries	4 in 4 countries
# of production subsidiaries	18 in 4 countries
# of purchasing units	1
Types of international activities:	<ul style="list-style-type: none"> <li>• Export of goods</li> <li>• Export of know-how</li> <li>• Import of raw materials and goods</li> <li>• Import of machinery and know-how</li> <li>• Service export and import operations</li> <li>• Licensing operations</li> <li>• Turnkey project operations</li> <li>• Production activities</li> </ul>

**Table 1.** Moelven's internationalisation. Some key data

<b>Year</b>	<b>Description of activity</b>
1993	Timber imports from Russia
1994	Moelven Nor East AS (Norway) established to handle imports from Russia
1995(-1997)	Harvesting activity in Russia in cooperation (via joint venture) with Finnish partner: provided product for Moelven Nor East
1996-7	Turnkey construction project with Russian contractor Energomastroy, Military Design Institute, and Leningrad Military District
1997	Wholly owned subsidiary (Moelven Nor East) established in Russia to handle Russian exporting activities
1998	Planing mill established in Russia in joint venture (Moelven Energo) with Energomastroy and the European Bank for Reconstruction and Development: product to supply the Russian market and Moelven's European channels. A new partner, Konti, replaced Energomastroy in 1999
1998	Joint venture set up (OAO Moelven CAS), with OAO Centralakademstroy, to produce modular wooden units for houses and offices in Russia

**Table 2.** Steps by Moelven in penetrating the Russian market