

# **Internationalisation of the Firm**

## **A Note on the Crucial Role of the Individual's Contact Network**

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## **Fragments to a Theory of Individual's Relationship Sediments and Opportunity Networks as Driving Forces and Enablers of Internationalisation**

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### **Abstract**

This paper addresses the much-neglected issue of how individuals' networks of contacts influence the internationalisation of firms. A number of brief case vignettes including both large and small companies are provided to illustrate how businessmen use relations from the past, *relationship sediments*, as enablers and driving forces in internationalisation. Based on the impressions from these cases a framework for mapping individual networks is developed, consisting of five main elements, categories of contacts, importance of the relationship, richness, availability and reach. It is argued that this framework might offer one way of identifying possibilities for international business, the *opportunity networks* of the firm.

### **Introduction**

Research into the internationalisation of firms has traditionally largely focused on motives, processes, success factors and the organisation of international operations. Even though empirical evidence is scarce, the assumption has generally been that internationalisation is a part of deliberate strategy formation, ignoring the role of serendipity.

This paper addresses the influence of specific individuals and their networks on the internationalisation of firms, an issue which has until now been more or less ignored in research. It is thus the aim of this article to contribute to and perhaps further the research into individual networks and their influence on internationalisation.

Initially, some literature is reviewed to identify relevant points of departure related both to the internationalisation of firms and to the role of individuals' contact networks in business. Secondly, some illustrations showing how individuals and their networks impact internationalisation in practice are provided. These form the basis of a general discussion concerning the role of individual networks in internationalisation. Finally, some general implications these findings might have on managerial practice are discussed.

## **Points of Departure**

The ways in which firms internationalise have been at the focus of much research. For two decades, the Uppsala internationalisation process model (Johanson & Vahlne, 1977) has exerted considerable influence on the way this research has been conducted (Andersen, 1993). The model explains internationalisation as a step-wise process in which firms begin their international operations engaging in low-commitment entry modes in nearby markets while, over time, targeting geographically and mentally more distant markets through higher commitment entry modes. Critics have noted, however, that often firms begin their international operations in far off markets or leapfrog, not going through the steps identified in the stage models. Similarly, there appears to be no single model explaining the choice of market entry mode. (cf. Andersen, 1993; Melin, 1992)

Motives for internationalisation are generally divided into reactive and proactive motives (Hollensen, 1999). Proactive motives include e.g. the exploitation of economies of scale in research and development, production, management or image, while reactive motives may be a result of market pressure forcing a firm to go international in order to maintain competitiveness. Some literature also attempts to explain internationalisation as a way of exploiting critical resources, developing critical knowledge or identifying market gaps to fill (Engwall & Johanson, 1990). In practice, firms – or more specifically managers in firms – appear to make other judgements, based less on rational decision-making models. Not always do firms exploit those markets that objectively appear to make the most sense. Seemingly rational decisions to exploit favourable local conditions are trumped by other factors like corporate relationships, prior market experience, chance and luck. Rather than talking about strategically sound business plans, a process of orientation, positioning and timing is a more appropriate explanatory model (Axelsson & Johanson, 1992). I.e., with less reliance on traditional decision-making models created by earlier business research, descriptions and analyses provided by the network approach are in many cases more appropriate (Blankenburg, 1995).

Firms' relationships to customers, suppliers and other actors – the embeddedness of the firm in the network setting – provide important clues in the explanation of internationalisation behaviour. E.g., studies of foreign market entry among service firms (see e.g. Majkgård & Sharma, 1998) have shown that often firms internationalise through “hitch hiking” with their customers. To some extent, inter-firm relationships have thus been acknowledged as a driving force in internationalisation.

In addition to the importance placed on inter-firm relationships, seemingly random internationalisation behaviour falling outside of traditional explanatory models can also be explained by another factor, the infrastructure of the individual's network or web of contacts. These webs can function as enablers of action, or *opportunity networks*, which will be discussed further on. It thus becomes meaningful to distinguish between two network actor levels, the firm and the individual. While firm networks have received considerable attention

in later years, individual networks have largely been left unexplored in business research, especially when the international dimension is added (see e.g. Holmlund & Kock, 1998). Within sociology (see e.g. Burt, 1992) some attention has been devoted to studying individual networks, e.g. regarding the possibilities of acting to achieve specific goals depending on role in the network and network position. These studies, however, rarely relate to firms even if there are some exceptions (see e.g. Uzzi, 1997).

### **The individual in International Business – some relevant studies**

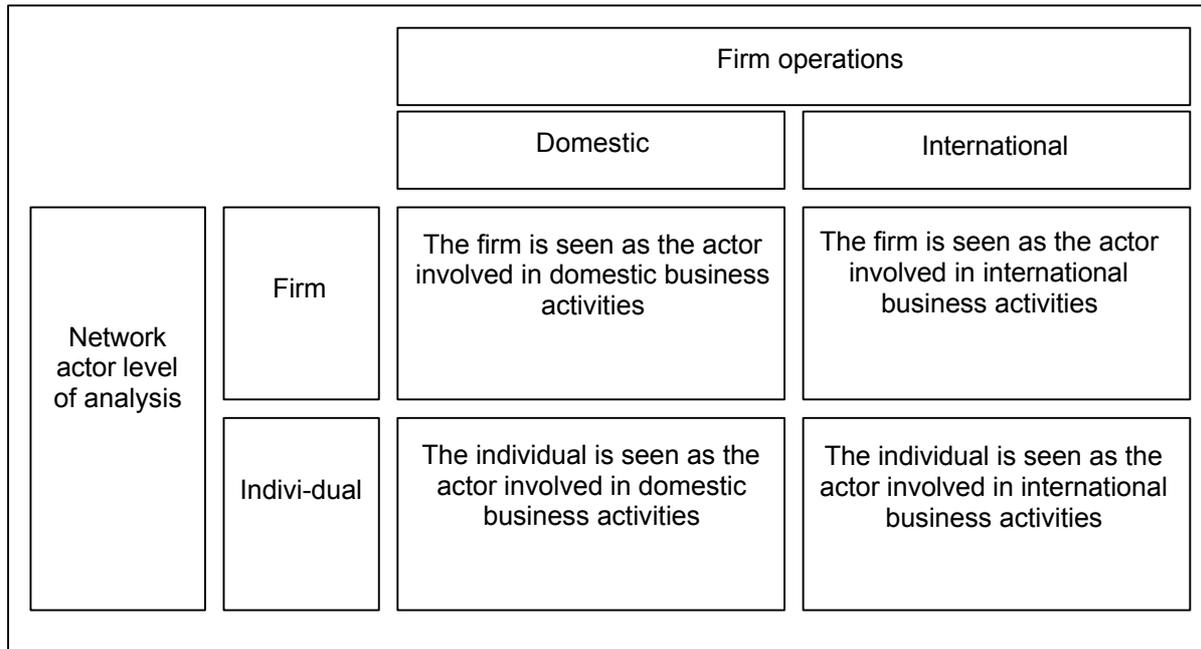
Among business practitioners, the importance of individual networks has long been recognised. In a recent study of the business practices of 13<sup>th</sup> century merchants in Venice, economic historian Dahl (1998) described and analysed the influence of individual networks. Historian Hasselberg (1998) undertook similar study, charting networking activities among ironworks owners in 19<sup>th</sup> century Dalarna (Sweden). In research on small and medium-sized firms, a number of scholars also point to the importance of networks as the most crucial factor for entrepreneurs in developing their business ventures (see e.g. Aldrich, Rosen & Woodward, 1987; Aldrich & Zimmer, 1990; Birley, 1985; Cromie & Birley, 1992; Dubini & Aldrich, 1991; Johannisson, 1994; Shepherd, 1991).

Dubini & Aldrich (1991) note that networking can be seen as both the actions of an individual [entrepreneur], but also as a part of a firm's activity and structure. Thus, two structures exist at the same time, personal networks connected to the individual and the extended networks associated with organisations. It is argued, "Taken together, these two processes affect the fate of entrepreneurs and their companies" (Dubini & Aldrich, 1991:312). Thus, even if the two processes or structures only together explain networks and their roles, in academic research attention has been directed almost exclusively at the former. Entrepreneurship researcher Johannisson (1994) argues along the same lines, contending that studies of dyadic relations between individuals say little about the network structure as a whole, while macro studies generate little understanding about individual ties.

Within the IMP research tradition several scholars have noted the importance of the individual in the interaction between firms. Cunningham and Turnbull (1982) write, "the personal contacts are at the heart of interaction between organizations", and Hamfelt and Lindberg (1987) note "the smallest threads in a network run between individuals. It is the individual who makes contact between organisations and builds up trust between organisations".

A simple two by two matrix can thus be constructed to help categorise network internationalisation studies (see figure 1). On one axis there is the network actor level, which can be firm or individual. On the other axis one finds firm operations, which can be domestic or international.

Figure 1 - Individuals and firms in domestic and international operations



To people with experience from the business world, the importance of personal networks is more or less self-evident. Nonetheless, in business research this has largely been left unexplored. A brief review of network literature will reveal a significant number of studies on the firm level, but individual contacts have been ignored. As far as research is concerned, especially the lower right hand box in the figure (see figure 1), where the individual actor level meets internationalisation studies, is more or less empty. Consequently, a number of important questions remain to be addressed by scholars. E.g.; Who makes the decision to internationalise and why? What tipped the scales in favour of one market over another? Is the individual's freedom to manoeuvre greater or smaller if individual networks are considered rather than strategic decision-making models? What implications does such knowledge have for our understanding of business in general and internationalisation processes in particular?

Some studies of the role of individuals in on-going relationships can be found. Cunningham and Turnbull (1979) identified several different roles, including legitimating, informing, negotiating and providing crisis insurance. Similar issues were addressed in Hallén's (1992) study of top executives' ways of creating, cultivating and using personal networks. One similarity between these studies was the role of the network or the personal contacts as providing insurance against crises, indicating that perhaps networks were not always utilised on a regular basis. This, however, does not provide a picture of the ways in which personal networks function and certainly does not deal with internationalisation.

A large number of studies dealing with intercultural business communication and business negotiations have been undertaken in the last two decades (see e.g. Usunier, 1993; Hofstede 1980; Trompenaars, 1992). This research focuses on meetings between individuals and how culture influences the outcomes of these meetings. Still other studies look at the importance attached to family networks, e.g. in Asia (see Jansson, 1987). Even if they are international in nature, studies of this kind do not look at the roles of specific individuals and how they influence business activities of specific firms. Rather, their aim is to create cultural

stereotypes identifying the importance attached locally to specific characteristics or behaviour.

Another example of a study of the roles of individuals in internationalisation is the research undertaken by Axelsson, Johansson and Sundberg (1992), who studied 250 international business travellers. More than a quarter of the respondents made their trips primarily to maintain relationships with internal units, customers, and other actors. One third of the businessmen interviewed travelled mainly to take part of or provide information, while remaining respondents were out to solve specific business problems. Creating and cultivating personal networks was thus an important reason for travelling.

There are also examples of how firms cultivate the networks of individuals as a strategic asset. In a study of career-paths (Borg, 1988) it was found that firms consciously tried to create cosmopolitan managers who worked a few years in one country after which they were relocated to another country. This gave the managers the opportunity to build broad personal networks benefiting their firms. Hamfeldt and Lindberg (1987) studied how metallurgic engineers moved internally within firms and externally between firms and were able to show different patterns in how individuals stayed and moved between functions, firms and industries. Quite obviously, the personal networks that evolved had implications for the firms in which the individuals worked. Huber (1991) studied the crafting-in of competence in firms and concluded that this was especially important in times when companies moved into new ventures and needed to transform rapidly. Such situations share some characteristics with foreign market entry, even if Huber's (1991) study did not take an explicit international perspective on the issue.

A great many studies also point out the importance of previous international experience on the decision to initiate internationalisation or to internationalise further (see e.g. Almeida & Bloodgood, 1996; Ali & Swiercs, 1991; Morgan, 1997; Reuber & Fischer, 1997; Westhead, Wright & Ucbasaran, 1998). In the work on which much of current theory of internationalisation rests, Johanson and Vahlne (1977; 1990) argue that attitudes towards the benefits and risks of internationalisation as well as experiential knowledge among managers strongly affect the propensity to internationalise. Somewhat surprisingly perhaps, these studies do not make the seemingly obvious connection between prior international experience and individual networks.

The studies cited above more or less explicitly indicate that individuals and their networks of contacts have great influence on the process of internationalisation. It can thus be argued that individuals – not only in top management positions – may change how a firm directs its efforts at internationalising. The infrastructure of the contact networks affect which markets are chosen, what nature of business relations that evolve and which market opportunities that are identified. In the following section of the paper, some illustrative examples of this are provided.

### **The Influence of Individuals on Internationalisation – Some Illustrations**

That individuals and their networks are crucial for business success has presumably been an acknowledged fact in the business world for as long as there has been a business world. If networks influence domestic business activities, there is every reason to assume that they have at least as great influence on international business activities. It would thus be of interest to study in detail the ways in which individuals direct the internationalisation processes of the

firms in which they work. Estimating the overall importance of this phenomenon as well as identifying the patterns in which it moves would be of great interest, both to the academic world and to practitioners. Below follow some examples, case vignettes, of how individuals' contacts led their firms to internationalise in specific directions.

#### *Ericsson Entering the Canadian Market*

*In an extensive geopolitical analysis of potential markets, among other countries Canada turned up not being suitable for Ericsson's systems of mobile communication, mainly due to strong local competition. In spite of this fact, Ericsson was approached by actors on the Canadian market, and soon started supplying a local firm with equipment. The key factor in Ericsson's expansion into Canada was a technical director who later emerged as the leading local telecom operator. This individual, a native Hungarian, had been working with telecommunications in Venezuela, and in doing so had had frequent contacts with Ericsson. His attitudes towards the company and his personal network led him to suggest Ericsson as a supplier to the Canadian operator, within which he was one of the key individuals. In fact, Canada turned out to be one of the very first markets that Ericsson entered after having carried out the geopolitical analysis. The process was complicated and the situation uncertain and complex, but had the individual not been around at the time – he might have been ill or travelling – the story would have developed in a different direction. (Blankenburg, 1995)*

#### *Telia Entering Three Asian Markets*

*Within a limited period of time, Telia entered three Asian markets as part of three different mobile telecommunications consortia. In each separate case, Telia had been specially invited to join the winning consortium. Later on, one of the managers at Telia decided to take a closer look at these market entries. His study showed that all three cases displayed some important similarities. They all took place in markets that had recently been deregulated and the leading actor in all three markets was an investor from a fourth country who had little experience from telecommunications operations.*

*The conclusion of the study was that Telia had been invited to provide the consortia with a measure of legitimacy as telecom operators. Due to its extensive training programmes, the Telia Academy had trained hundreds of telecom officials in these three Asian markets and was known as a capable actor. This was not the whole truth, however. A deeper study of the individuals involved in the consortia, revealed that they had some expertise of their own. The main investor involved in the three consortia had employed an expert advisor who had been very influential in the setting up of the consortia. In fact, the expert advisor had more or less managed the whole process. The Telia manager's study of the market entries showed that in his youth some 15 years previously, the advisor had worked as a trainee at Telia in Kalmar in Sweden. Obviously, the expert advisor's experience with Telia was one of the reasons behind Telia's being invited to take part in the consortia. (Malmgren & Olausson, 1997).*

#### *A Swedish Firm Entering the Estonian Market*

*Swedex AB is a Swedish firm producing equipment for the sawmill industry. For some time the firm had had vague ideas about expansion abroad, but was not really intent on realising them. While visiting relatives in Sweden, some Estonians working in the sawmill industry used their family to search out Swedex AB and study their products. They instantly*

*recognised the potential for these products in Estonia. Urged on by their relatives, the Estonians contacted Swedex AB, who found the Estonian market attractive mainly due to the low labour costs and the country's industrial tradition of. Today, Swedex AB is thriving in Estonia. Had it not been for the Estonian's relatives in Sweden and their relations to Swedex, the company would most likely not have internationalised in the way it did. (Gillek-Dahlström & Julge, 1999).*

### **Some comments concerning the cases**

In all three cases one or a few individuals play key roles. In the first two cases, individuals' experience of the companies function as "sediments", contacts established many years ago, which are reactivated when they are needed. Without the experience and contacts of these individuals – the "sediments" – the business deals most likely never would have been made, and possibly the markets never entered. Also, in both cases customers sought out potential suppliers. I should perhaps also be emphasised that had Ericsson and Telia not been considered capable actors, these personal contacts would not have sufficed in bringing about the business deals they did. When some necessary conditions were fulfilled, however, individuals' contact networks managed the direction of both processes.

In the third case, individuals with personal relationships in a foreign country use these to search for specific resources. Again, "sediments" are activated, directing actions in a specific way. The third case adds another dimension. As the Estonian market for several decades was difficult or impossible to penetrate, these old, personal contacts were perhaps the only way of gaining access to foreign markets.

Thus, in all three cases sediments from before are awakened and reactivated to promote internationalisation.

#### *Swedish Software Entering the Middle East Market*

*Swedish Software entered the Kuwait market over ten years ago having been invited by a Swedish customer with whom they had been working for a long time on the domestic market. The Swedish customer had operations in Kuwait and wanted support for a two-year project undertaken for the public administration. While Swedish Software was working in Kuwait with its sole customer, they started searching for opportunities to remain on the market after the project had gone to term. During this search, they learned about the importance of personal contact networks, one of the reasons for which is the large number of Arab businessmen who at some point in their career work for the government. Top civil servants normally hold their posts for the duration of their careers, but very often combine this with running private businesses. Only once Swedish Software learned to take into account the private business networks of these key officials were they able to make headway in their search for local business opportunities, and they were invited to present business proposals. At this stage, Swedish Software also discovered the importance of the middleman. The right middleman would be able to provide access to the right people and market information, thereby helping Swedish Software frame their offerings in the appropriate way. There were thus two main problems. Firstly, how to identify relevant parties and find out who was best suited to help them gain access to broader networks and, secondly, how to frame the offering taking into consideration the interests of the key officials' networks. (Axelsson & Johanson, 1992)*

### *Ericsson Entering the Japanese Market*

*The entry of Ericsson into the Japanese mobile telecommunications market has attracted much attention from researchers, and numerous accounts are available. One of the key actors was Morgan Bengtsson, who was early on appointed CEO of Ericsson in Japan. He had previous experience from the Swedish Technical Attaches and joined Ericsson when the Japanese telecommunications market was in its early state of deregulation and opening up to foreign investors. Bengtsson started to systematically map hundreds of individuals belonging to the Japanese network in this line of industry as he believed that such a map would be helpful in understanding and influencing Ericsson's entry into the market. In addition to the map of contacts, Bengtsson had other sources of knowledge about Japan and the telecommunication market. His wife was Japanese and he spoke the language.*

*The knowledge of the key players on the market together with an understanding of some of the key characteristics of the Japanese business community is often claimed to have been the reason behind Ericsson's success, which came with the third mobile licence release. In Japan at the time there were three telecom operators and three licenses open for bidding. The first two licenses were given to high-bidders that had spent considerable effort building competence. The third operator had little real interest in telecommunications, but Bengtsson convinced them that with Ericsson's help they could become a major player on the market. The Japanese firm bid for the licence and won, much to the surprise of the market, and Ericsson became the operator's main supplier. The influence of Morgan Bengtsson on the process of Ericsson's entry into the Japanese telecommunications market can hardly be overemphasised. (Axelsson, Laage-Hellman & Cedergren, 1994)*

### **Some comments concerning the cases**

Again these brief case vignettes hint at the crucial role of the individual. The difference between these two cases and the three presented previously is that here the seller takes the initiative. In the first case the supplier searches for potential customers as well as business partners or middlemen. The firm found its customers due to an understanding of the ways in which the actors, primarily individuals, were embedded in the business network. The second case demonstrates how the individual in charge of the market entry directed significant efforts at mapping hundreds of key actors in the industry, which put him in a position to objectively assess the market. In none of these cases, however, the existing contact networks of the individuals in the firms alone explain internationalisation. Rather, business opportunities were identified when regarding networks as a strategic resource, which could be actively developed and evaluated. Again, it might be worth pointing out that no deals would have been made, had the firms involved not had the capabilities to fulfil their obligations. Nevertheless, one or a few key individuals had crucial impact on the internationalisation processes of their firms.

Another category of processes where individuals greatly influence internationalisation processes can also be identified.

### *Scania Entering the Czech Republic*

*After the opening of the Eastern Bloc and the transformation of economies like e.g. the Czech Republic, structures in the business community had to adapt to an entirely new situation. An example of a company taking advantage of this is Swedish lorry manufacturer Scania. The company saw an opportunity to expand its business on the Czech market, and found a representative suitable to undertake such a mission. This individual was a former Czech national living in Sweden, who had been working at Scania for a number of years. He now saw an opportunity to move back to his old home country, while making use of his experiences in Sweden. (On site interview, 1995)*

### *An Australian Wine Merchant Entering the Latvian Market*

*Since the opening of the Baltic States a lot of new business ventures have been created. There is great demand for many products, and Western firms and individuals are constantly scanning for new business opportunities. A typical example is the expatriated Latvian living in Australia, where he was a wine merchant. When visiting his old home country, he concluded that it would be possible to successfully open a Wine store in Riga. Today, that wine store is known as one of the best in the city. (On site interview, 1999).*

### *Electrolux Entering the Iranian Market*

*Prior to the Islamic revolution, Electrolux was well established on the Iranian market. During the years after the revolution, some Electrolux managers devoted efforts at maintaining and even expanding their Iranian networks by becoming acquainted with new key individuals. A number of visits to Iran were made as well as other activities aimed at facilitating re-entry at a later date. (Hadjikhani, 1997).*

## **Some comments concerning the cases**

These cases are again different from the two previous groups of vignettes. In the first case the firm wanted to set up operations on a new market and found an individual with a personal background in that country. Thanks to his background he was well acquainted both with the new market and the company. This might be referred to as the reactivation of personal sediments on a specific market or in a specific country. The same applies for the second case in which a single individual draws on his experiences from a country and an industry in order to establish a new firm.

The third case is somewhat different. Here individuals in the foreign firm actively maintain their old networks to facilitate potential future business activities, i.e. an investment in a relationship in order to gain future advantages.

## **Some general comments concerning all the cases**

The general impression from all the case vignettes presented above is that individuals and their networks of personal contacts have great impact on the internationalisation of these firms. Not only business relationships but also personal relationships act as initiators and driving forces in internationalisation.

In the case of Ericsson entering the Canadian market a number of personal relationships influenced the process. The same observation can be made in the case of Telia entering the three Asian markets where a key actor had strong influence on all three processes. Similarities can also be found in the case of Swedex AB entering the Estonian market, initiated by a meeting between Swedish and Estonian members of the same family. Personal relationship sediments thus had great impact in the internationalisation of that firm.

In the fourth case vignette where the entry of Swedish Software into the Middle East is described, it becomes apparent how important it is to identify the personal contact networks of individuals in order to become successful on certain markets. The same phenomenon can be observed in the case of Ericsson entering the Japanese market, where knowledge of personal networks was considered a strategic asset, crucial for successful market entry.

In the case of Scania entering the Czech Republic, an individual saw a chance to return to his home country through the creation of a new firm. His main role in the business venture was thus to function as a facilitator in the setting up of operations on an otherwise difficult to enter market. The case of the expatriated Latvian setting up a wine store in Riga tells a similar story. Personal experience from a country left years ago as well as experience from an industry in a new country lead to the identification of business opportunities and facilitate the starting of a new firm. Similarly, the personal contacts between Iranians and individuals at Electrolux were maintained and further developed over a long period of time in order to facilitate future business ventures, even though no business was conducted at the time.

In all these cases relationship sediments play important roles as driving forces and enablers of internationalisation. The idea of relationship sediments ties in well with Havila and Wilkinson's (forthcoming) discussion on relationship energy, where it is argued that the *energy* developed in a relationship can not be destroyed, only transformed or transferred to other relationships. I.e., previously terminated relationships might be reactivated, be an obstacle or a help in the formation of new relationships, which occurs as the *energy* follows individuals moving between organisations.

Of course, no general conclusions concerning the importance of this phenomenon or the frequency with which it occurs can be drawn from the brief cases presented above. It is, however, possible to point at how potentially important research into these issues is, in addition to which some managerial implications deserve mentioning.

### **Individuals as Actors in the Internationalisation of Firms**

In the cases discussed above, individuals have great impact on business activities. Individuals interpret the context, identify opportunities and enact their environment. While doing so they rely on their previous experience and their webs of personal contact. The cases also hint at how networks are used as strategic resources used to facilitate action. This should, however, not be seen as an argument in favour of the traditional rationalistic picture presented in classical management literature. In none of the cases is there a question of a top to bottom process where the CEO makes a decision to be carried out by other members of the organisation. This might very well be the case in many instances as there are firms with positions enabling them to shape the structure of the market, and within firms there might be dominating groups of managers. Frequently, however, are processes more random and less controllable, as hinted at in the case vignettes. No single actor controls business activities, regardless of what other actors do or want (Axelsson & Johanson, 1992), of which Ericsson's

entry into the Canadian market might be seen as an example. During such non-controllable processes other actors create opportunities, some of which are enacted and others which are not. In identifying, interpreting and taking advantage of such opportunities, the individual and the individual's network of personal contacts appears to be crucial.

Common to all the cases presented in this paper is that they hint at the importance of single individuals, even if the outcome might be far from what was intended at the beginning. Individuals interpret activities, discover possibilities, mobilise resources, create trust etc. They interpret, enact and influence processes and have crucial impact on the outcome, but rarely manage the process according to a strategic plan as suggested in literature.

### **Modelling the individual in the business network**

Considering the reasoning above, it would thus be of interest to create a framework of the types of relationship networks of which individuals could be a part. Such a framework would be a tool for the systematic mapping of individuals' contact networks, thereby providing the means of understanding the ways in which specific individuals influence business processes in firms.

Burt (1992) distinguishes between contacts that are duplicates and contacts that are complementary. Duplicate contacts give access to more or less similar networks, while complementary contacts add new networks. As far as the number of contacts is concerned, Burt (1992) argues that the higher the number of contacts, the better for the firm as this means access to more networks providing individuals with greater freedom to act and greater access to opportunities.

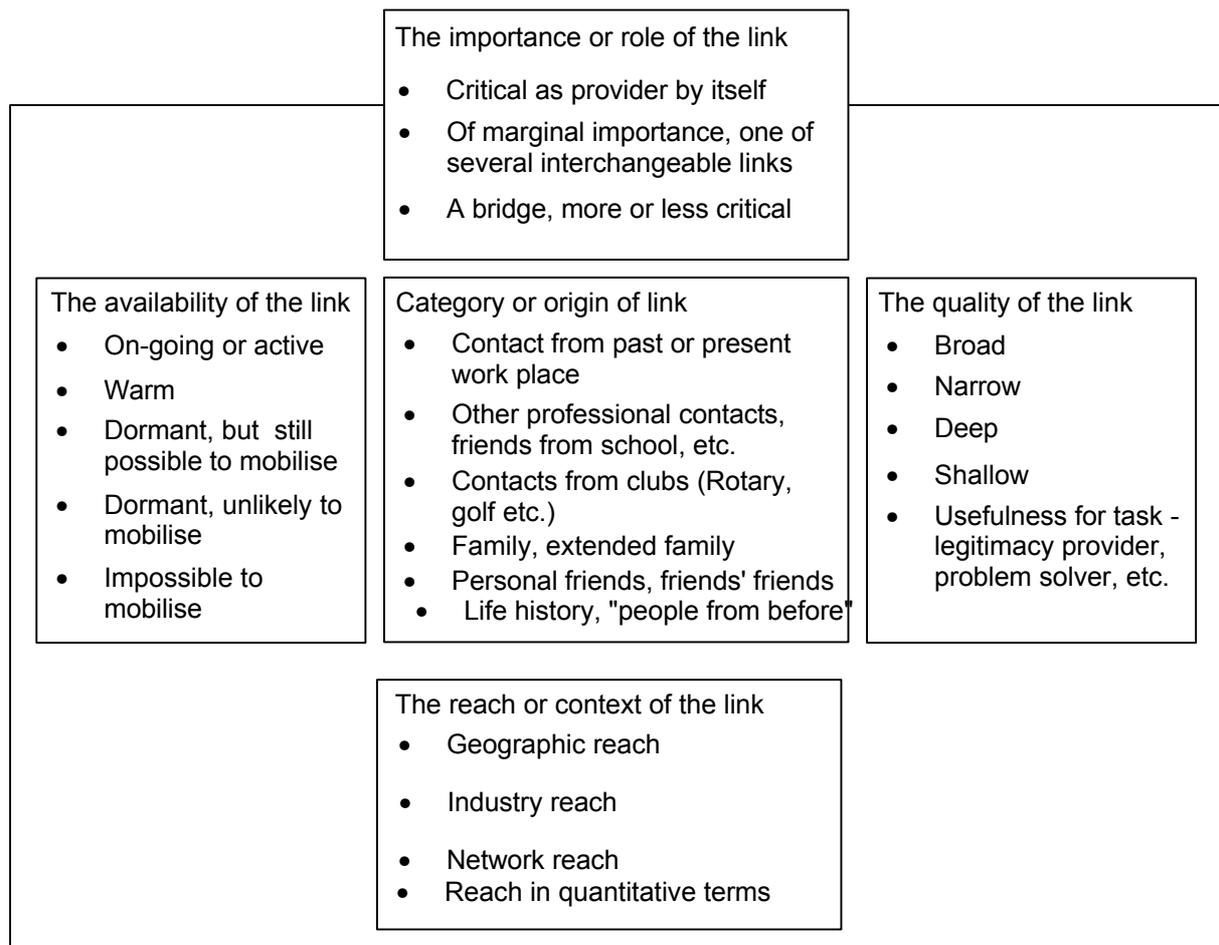
The creation of such networks can be seen as the creation of an infrastructure, with the individual as a nexus of relationship networks. The individual's web of contacts, be they professional, social, family etc., constitute that infrastructure. In his study of top managers, Hallén (1992) attempts to depict personal networks along two dimensions. Firstly, the individual is seen as a part of a network of organisations and institutions and secondly as a part of networks of individuals. This typology covers most of the possible actor groups which could be relevant to study.

In a study of business in Russia, Salmi and Bäckman (1999) noted the influence of outer and inner circles, also frequently studied sociological network theory. Inner or "first" circles is what respondents referred to as "*(T)here is quite a narrow circle of people you know and trust*", these individuals form the core of the business network. Outer or "second" circles comprise are other individuals with whom business relations are established or maintained, but who do not belong to the first circle. One of the interviewees said "*(H)ere, without exception, you must have someone you know everywhere...This is like a different level: usually the relation is more formal and he is like an acquaintance (instead of being a friend). But you definitely need him; to call if you have some problem*".

In this paper it is therefore – having all this in mind - argued that a model which not only captures the actors but also takes aspects like origins and various characteristics of contacts into consideration is more appropriate for the understanding of personal networks. It is possible to make a distinction between sources of contact networks, the roles in networks and a number of basic dimensions along which these can be characterised.

The sources of contacts can be summarised in present and previous work, profession-related contacts arising from e.g. membership in clubs, family, extended family, and life history. The roles of such relationships can be multidimensional, i.e. they can provide solutions to specific problems, they can provide links to other networks, they can serve to provide legitimacy etc. A number of dimensions can thus be identified, which can be summarized in a framework comprising five elements, the type of contact or contact category, the importance or role of the link, the richness or quality of the link, the availability of the link, and the reach of the link (see figure 2).

Figure 2 - Framework



The richness or quality of the specific relationship refers to its content, which can be broad, narrow, deep and shallow or any combination of these. It also refers to commitment of the actor to the relationship, and whether its function is to provide legitimacy or to function as problem solver.

The availability of the relationship refers to the extent to which it can be mobilised or activated by the actor. It can thus be on-going or active, warm, dormant but with possibilities to mobilise, dormant with little possibilities of mobilisation, or dead.

The reach of the relationship refers to the context in which it is embedded. Dimensions may include countries, industries and firms, but also networks which can vary in size and number.

The importance of the relationship or link can be characterised as being a critical provider in itself, a more or less critical bridge to other links or relationships, or of marginal value where it represents one of several interchangeable links.

Complementary or alternative dimensions can also be identified. Availability can be complemented by indicators like frequency, regularity, density etc. Generally, however, it is argued that the framework provides a means of charting an individual's network for purposes of use in business.

This framework can be applied to the cases presented in the previous section of this paper. In the case of Ericsson's entry into the Canadian market, the source of the relationship was a contact from a previous project. It was a sleeping relationship that was possible to mobilise, and basically played the role of a bridge between the individual, his superiors, and his previous business contacts. As such, the contact was deep, but narrow. This case says little about the Hungarian's other network and whether this was broad, not does it say anything about the reach of the network. The case as such does not address the totality of the network and there is no way of knowing if the actor's network was ideal for the alternative realised in the case, or if other options were available. It does seem reasonable, however, that when considering the background of the individual actor, not too many options were available.

The case of the Estonians finding a partner in Sweden presents a different picture. The source of mobilisation is family or extended family in an on-going relationship, acting as a bridge possibly not critical to the business deal. Again, little is known of the reach and richness of the relationship, reasons for which are similar to the case discussed above. It does appear, however, that the contact realised was not unique and that it would have been possible to mobilise other, equally relevant contacts. The primary function of the contact was to create an opportunity, but little is known regarding the actor's possibilities of utilizing or creating alternative contacts. Thus, the *opportunity networks* of the Estonian are not considered in the case description.

If properly used, the proposed framework can make up a constructive link between alternative business deals that are implemented and the business deals that are not, but could have been had other parts of the individual's contact network been mobilised. Possibly, this approach might facilitate a switch from just studying processes (and afterwards rationalising how they were carried out) to identifying more or less manageable alternate routes, *opportunity networks*.

### **Opportunity networks**

Several studies suggest that there is a connection between networks and capabilities of single firms or individuals. In Granowetter's (1973) discussion of weak ties it is argued that secondary contacts offer opportunities for renewal in ways that primary or strong ties do not - weak ties create access to potentially important clusters. Burt's (1992) idea that a large number of contacts or complementary networks is preferable for the firm also comes to mind. Foss' (1996) study draws a link between capabilities and networks, where relationships are regarded as a strategic asset.

It is thus reasonable to discuss these notions under the heading of opportunity networks – the greater the number of weak and strong ties, the greater the number of opportunities for the

firm<sup>41</sup>. Burt's (1992) view is perhaps too simplified and mechanistic, though, as it considers only the number of contacts. Rather, a number of qualitative factors need also be considered. Many studies, concerning e.g. product and technology development, have shown how strong ties provide renewal, and it might be assumed that there is some trade-off between the quantity of contacts and the quality of these contacts also in opportunity networks. Therefore, the distinction between reach and richness, i.e. the number of actors reached and qualitative aspects of these contacts, is important to make.

The rationale behind this line of reasoning is that there is seldom one possible solution to a specific problem or issue. When firms search for partners on foreign markets, it is seldom possible to find one ideal solution - mostly firms settle for a partner who is good enough (Axelsson, 1998). Consequently, often there exist many potential partners or combinations of partners as well as patterns of activities and resource constellations that might reasonably satisfy predefined objectives. A greater number of relationships provide firms with more opportunities and thereby capabilities of action and change. Provided that too many alternatives do not cause confusion, a larger number of opportunities – opportunity networks – indicate a greater capability for reorientation.

### **Opportunity networks – the positive friction between individuals' networks and firms' networks?**

Until now, the discussions have been implicitly based on the presumption that networks of individuals and firms are always in harmony. Similarly, opportunity networks have been regarded as equally important to all firms in all contexts. To assume so, however, is to significantly oversimplify matters.

It might be argued that there is fruitful tension between the individual's network and the firm's network. A central issue within the scope of this paper is thus, to what extent are the individual's influence on the internationalisation process and possibilities of governing this influence, contextual. To discuss this in a systematic way, the activities, actors, and resources framework proposed by Håkansson and Snehota (1995) is a useful starting point. The relation between the networks of individuals in firms and firms' networks raises the question of fit between corporate needs and individuals' possibilities of fulfilling these needs. Basically, there are three possible answers to this question.

The first alternative is a perfect fit between the orientation of the business and the contact networks of the individuals in the firm. Appropriate actors and resources can be accessed in order for appropriate activities to be carried out. I.e., the individuals' networks of contacts are perfectly fitted to the needs of the firm.

The second alternative implies a less than perfect fit, which could be improved if individuals in the firm would reactivate their dormant relations (Hadjikhani, 1997) or reorganise others. In this case opportunity networks are carried by individuals – there is a positive misfit with a surplus of potential webs of contacts held by individuals in the firm. Consequently, also a number of resources await activation. These opportunity networks could also be forces used to redirect the activity structure of the firm.

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<sup>41</sup> In this context opportunity networks cannot be equated with the term as discussed by Achrol (1997).

The third alternative applies when firm activities are directed by top management in ways that do not fit the existing webs of contacts between individuals. Opportunity networks are still carried by individuals, but for the firm's current purposes, these hold little value. There are several alternate routes to remedy such a situation, though. A step-by-step process by which new webs are developed could be initiated, where some of the wrong opportunity networks may be of use. Another possible course of action would be to graft in individuals with relevant networks (see e.g. Huber, 1991).

Apparently, the networks of individuals have implications for how connections between activities, actors and resources emerge. There is tension between the networks of individuals and their firms' needs that might be critical for the short-term as well as the long-term orientation of the firm. Opportunity networks may thus often be used to shape the future of the firm, as well as in assisting in reacting to changes in the external environment. There are some situations where opportunity networks are especially critical, which include e.g. reorientation of a firm's activities in terms of technology change, new product launch, new market entry and in finding new employees. Similarly, as network structures change, e.g. when relationships develop, when crises occur, or when market settings change, opportunity networks can have a great impact on whether strategic windows are identified, and if so, how they are exploited.

These lines of reasoning have a number of implications for management in general and for management of internationalisation processes specifically.

### **Managerial implications in general**

Taking a strategic perspective on networks implies that a firm's position in critical resource networks is considered. It is reasonable also to take into consideration how to balance strong and weak ties, i.e. relationships in which the firm is heavily involved and relationships with less involvement (Axelsson, 1992). In the terminology used in this paper, the latter form of relationship is an important part of a company's opportunity network. As far as the individual's contact network in connection to the relationship structure of the firm is concerned, there are at least two important aspects to consider, one which can be referred to as strategic awareness and one which deals with the ability to keep track of such networks.

A high degree of strategic importance should be attached to the issues discussed in this paper. If individual's networks or webs are of vital importance for business activities they deserve attention. Two strategic approaches can be identified.

- 1) Either the management of a firm decides that it is important but difficult, or even impossible, to track these networks. Instead they can decide to try and build an infrastructure of individuals with certain basic structures of their contact webs. It could be a matter of running work rotation programs, making sure that most people build internal networks. It could also be a matter of hiring people with different backgrounds making sure that the contact webs should not overlap too much. Such an infrastructure would only be enacted when appropriate – and it would fulfil its function without extensive tracking efforts. It would thus create a general preparedness to benefit from personal contacts and consequently be a functional opportunity network, even though not tracked.
- 2) The second strategic approach would entail systematic charting efforts of a different nature, based on the presumption that it is indeed possible and meaningful to map networks. One of the first aspects in such an approach is to create awareness of which

types of networks that the individuals in the firm can access, i.e. what types of opportunity networks can be identified. This alternative will be discussed more in detail, and an example of how this could be done is provided below.

### **Defining opportunity networks by mapping key individual's inner and outer circles**

This issue was addressed in a large, internationally oriented Swedish firm. In order to develop a map of the networks of the top personnel, 30 people from the management group and other key actors within the firm gathered for three days, primarily focusing on discussing their webs of personal contacts. The exercise was undertaken to create joint awareness and understanding of the possibilities inherent in this resource. The group mapped career paths, companies for which they had worked, and places where they had studied before and during their professional careers. They also identified important contacts they had made and other important people to whom they were somehow related. The exercise led to the identification of joint contacts, contacts of immediate interest, and contacts that might be made use of in future business ventures.

Another important issue is the weak points that can be identified as regards the desired fit between individuals' networks and firm goals. Outlining or charting the external networks of individuals thus becomes essential to firm operations (cf. "relationship energy audit", Havila & Wilkinson, forthcoming).

Further, identifying ways in which to regularly keep track of the networks becomes another major issue. Very often well-intended attempts at keeping track of things over time fail as the systems are too complicated. The use of modern IT as a facilitator might be one way to remedy this. An example of this is Andersen Consulting's use of an intranet connected to databases to track every project they have been involved in as well as to create a register of important events and individuals. Another example of this can be found at Telia.

#### *Telia's tracking of international contacts.*

*At the beginning of this paper Telia's entry into three Asian markets is briefly described. The underlying events described were only discovered long after they had taken place, but they raised an important question for Telia: Would it be possible to keep track and systematically build knowledge of important contacts that are made during such processes? So far, only a rudimentary system has been put in place. It aims, however, at creating a "relationship bank" in which are recorded descriptions or international projects and names of key actors encountered during e.g. business trips. All personnel at Telia are expected to file reports with the person in charge of the relationship bank, however, as soon as they go abroad. Similarly, when people plan projects or trips to other countries, they are able to use reports on file dating as far back as five years and save considerable time in finding relevant contacts. Even if this system is still in its infancy, it does provide an idea of a systematic way to keep track of gradually emerging contact networks. (Interview with Manager Bertil Olausson)*

Obviously, IT facilitates contacts in other ways as well. It is easier to stay in touch with large and geographically widely spread networks. In fact, one of the most important functions of IT in the long run might be its use as facilitator in maintaining network connections.

## **Some implications of opportunity networks on the management of internationalisation processes**

Many studies of internationalisation have shown that certain situations are manageable in the master-plan sense, but more commonly the domination of non-controllable processes, chance, and serendipity is apparent. In such situations networks of personal contacts have significant impact on business activities. Individuals interpret situations and act on their own judgements, which in turn depend on sources or network contacts. Two main bases for mobilising individuals – and thereby firms – can be identified, the use of ongoing relationships and the reactivation of sediments, relationships which might have been dormant for a considerable period of time. A Swedish service provider in the engineering industry has decided to internationalise making systematic use of the contacts of its employees.

### *Firm and personal networks as a joint resource in the early phase of internationalisation*

*Having developed a number of domestically highly successful services, a Swedish consultancy firm in the engineering industry is currently far ahead of most competitors. The number of employees has risen dramatically in recent years, today amounting to 400 people, of which 300 are consultants. The organisational structure is highly decentralised with seven regional offices and numerous projects carried out on customers' premises. The firm's management group wishes to continue the aggressive expansion to make use of their unique services and concepts and considers internationalisation, another reason for which is the increasing demand among employees to spend time abroad.*

*In preparation for internationalisation, the management group has decided to gather all employees for two days to hear their views on which firms might be suitable partners or allies. Past and present projects are to be charted to find out which among the firm's business partners might offer opportunities for international business activities, either by themselves or through their contacts with international customers, suppliers etc. The aim is thus to create a map of possible partners, but the exercise also aims at identifying key individuals who can be used as strategic resources. All told, this should provide the management team with valuable input when deciding on a course of action in regard to internationalisation.*

The importance of charting or mapping applies equally to domestic and international networks. Great advantages can be found in identifying whom managers as well as other employees know on foreign markets when a firm faces internationalisation. A chart of an individual's network more explicitly outlines the opportunity networks open to the firm. It also has the advantage of indicating qualities to be sought out when new human resources are to be added to the firm. As the tracking and maintaining of personal networks is more complicated in an international setting compared to a domestic context, the importance of IT in facilitating the production and maintenance of such databases becomes even greater.

## **Conclusions and directions for future research**

This paper addresses the issue of individuals' networks as enablers and driving forces in internationalisation. This is a phenomenon well known to practitioners, but which has received very little attention among scholars. Even if the arguments put forward in this paper are not entirely new, they might help in formulating some questions for researchers to look more deeply into.

The basic question of the impact of individuals' relations and relationship sediments on internationalisation can be broken down into a number of more tangible questions. Firstly, it is of great interest to try to estimate the relative importance of this phenomenon, i.e. how many of all foreign market entries can basically be explained by the factors discussed in this paper? Further, how many major directional changes of the intended internationalisation of firms do relationships and relationship sediments influence?

A more normative issue concerns how firms could act in order to keep track of as well as develop their opportunity networks to better utilise relationship sediments. It thus also becomes interesting to dig deeper into the issue of the proposed tension between individual's networks and firm needs.

The impact of IT on the management of networks can also be discussed from several different angles. Will IT enable firms and/or individuals to better manage opportunity networks, domestically as well as internationally? Will IT provide individuals with greater reach, i.e. will it become easier to maintain a broad range of personal contacts?

Also, a number of phenomena follow the development of IT. Already today exist a number of network-creating portals where individuals enter their contacts, the agent carrying the portal providing users with search systems and search engines. This enables anyone to search for and possibly reach individuals relevant for specific purposes. How this will develop in the future is anyone's guess – perhaps it is only possible to carry a very limited number of genuinely personal contacts, regardless of support from databases. Perhaps personal contacts are just that – personal. People might be less than willing to give them up without being able to carefully evaluate the individual who gets access to the contact. The risks involved in giving away a contact to the wrong person are obvious.

Having discussed the role of relationships and sediments in some detail, it might again be pointed out that by themselves they seldom explain internationalisation. Generally, they offer substantial explanatory power, but are normally complemented by other firm or market-specific factors. Philosophically, the discussion might be related to the ancient argument between voluntarism and determinism, do individuals create the future or is everything decided by societal and other structures? In the cases reviewed in the early part of the paper a number of factors acted together with relationship sediments in creating successful foreign market entries. E.g. favourable local conditions like in the case of the Australian wine merchant in Latvia, a good product like in the case of Ericsson in Canada, or a solid reputation like Telia in Asia. In many internationalisation processes, however, sediments play the roles of triggers, enablers and directors!

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