

A Critical Realist Interpretation of Managerial Contacts in Industrial Internationalisation

ABSTRACT

This conceptual paper reviews the core assumptions of critical realism as a variant of realist philosophy of science as well as its implications for management studies. In addition, the paper reviews previous IMP research on both personal contacts and firm internationalisation. Based on such a review of literature, firm internationalisation and related managerial contacts are conceptualised as the manifestation of specific management's *causal powers*. The substantive and methodological implications of such an interpretation of managerial contacts in industrial internationalisation are also discussed.

Key Words: critical realism, industrial internationalisation, managers, personal contacts

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1 INTRODUCTION*

In spite of the variety of research designs currently employed within the field of management and organization studies, researchers often fail to report the underlying assumptions of their methodological decisions. Easton (2000) offers possible explanations for such an ambiguous procedure, which include incipient methodological training of researchers and lack of concrete methodological prescriptions in literature. In addition, researchers may overestimate both the paradigmatic features of their research tradition¹ (Laudan 1977) and the ability of readers to infer undisclosed methodological criteria.

Knowledge claims may thus become subject of controversy either because the debate on the nature of reality and knowledge was overlooked or because “it is easy to slide inadvertently from epistemology to ontology” (Ackroyd and Fleetwood 2000:6). In the social sciences in general (Machlup 1994) and more recent disciplines in particular (e.g. Easton 2002) knowledge claims run the additional risk of being judged in terms of criticisms primarily aimed at one's paradigm² (Kuhn 1970). Researchers remain, in any case, the sole advocates of their contribution to scientific inquiry through rational discussion of both their methodological and substantive assumptions.

Studies inspired by the original findings of the IMP group (Håkansson 1982; Turnbull and Valla 1986) recurrently assume that personal contacts are at the heart of inter-firm

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¹ In Laudan's view, "research traditions" are a collection of assumptions, tools, methodologies and axioms used to guide science. Within research traditions, there can exist several different theories, which can be thought of as subsets of the overarching research tradition.

² In Kuhn's view, "paradigm" is a structure, which guides and governs the activities of a science, encompassing a number of theories, facts and methodologies that scientists must subscribe to.

interaction in industrial markets (e.g. Cunningham and Turnbull 1982; Brennan and Turnbull 1999; Halinen and Salmi 2001). In the one hand, it is suggested that exchange episodes include inter-firm social exchange (IMP group 1982; Easton 1992; Forsgren et al. 1995), which, in turn, may require personal contacts from general managers (Cunningham and Homse 1986; Hällén 1992). In the other hand, it is claimed that adaptation episodes may include *human adaptations* such as the investment of managerial time in inter-firm personal contacts (Ford 1980; Forsgren et al. 1995).

In spite of the relevance of personal contacts for inter-firm interaction in industrial markets, the definition of *actor* within the “market-as-networks” approach (Johanson and Mattsson 1987; Easton 1992; Mattsson 1997) is often vague for both theoretical and empirical reasons. In the one hand, IMP studies tend to regard actors as a theoretical construct (Håkansson and Johanson 1993), which may refer to an individual, a department, a business unit, a firm, or even a group of firms (Håkansson and Johanson 1984, 1992). In the other hand, it is acknowledged that, in practice, several individuals may be involved in inter-firm interaction (Ford et al. 1986; Håkansson and Snehota 1995) leading to *multiperson interactions* (Ford et al. 1998). The extent to which managers behave as “networkers” in domestic and foreign industrial markets has, therefore, been regarded as a relevant topic of research within the IMP group (Axelsson 1992b; Axelsson and Agndal 2000).

The present paper is concerned with both methodological and substantive assumptions, which may be of relevance for IMP researchers. Methodologically, the paper attempts to review the core assumptions of critical realism and to assess its implications for IMP studies, especially in terms of external validity of explanatory claims (Tsoukas 1989; Easton 2000). Substantively, the paper seeks to inform current knowledge of firm internationalisation in industrial markets, by highlighting personal contacts of general managers (Cunningham and Turnbull 1986; Hällén 1992) in such a process.

In the following section, the ontological and epistemological assumptions of realism in general and of critical realism in particular are thus reviewed. The third section discusses the implications of such a realist stance for management studies, whereas the fourth section reviews previous IMP research on managerial contacts and on firm internationalisation. The fifth section presents a model, which forms the basis for a critical realist interpretation of managerial contacts in industrial internationalisation. A sixth and concluding section suggests further avenues for both substantive and methodological contributions.

2 CRITICAL REALISM

2.1 Realist Perspective

The field of organization and management studies has long been characterized by substantive fragmentation across its sub-disciplines (e.g. Burrell and Morgan 1979; Whitley 1984). It has been argued, however, that such a substantive incoherence and diversity may be clustered into three general methodological perspectives: *positivism*, *postmodernism*, and *realism* (Ackroyd and Fleetwood 2000). In similar fashion, Easton (1995) argues that social scientists operating in different paradigms may still share the

same orientation³. In the author's words, an orientation "is broader and more philosophical concept in nature than paradigm", which is "context specific and based on phenomena" (Easton 1995: 423-4).

A philosophical perspective or orientation can thus be defined as a fixed profile of positions in terms of ontology and epistemology. Such a concise definition implicitly assumes that *human nature* and *methodology* as defined by Burrell and Morgan (1979) may be assigned to ontology and epistemology, respectively. In addition, it implies that factors such as *axiology*, *context* and *constraints* (Easton 1995) although influencing methodological choice may be common to distinct ontological and epistemological positions.

In their discussion of assumptions on the nature of social science, Burrell and Morgan (1979) label the ontological and epistemological dimensions of an *objectivist approach* to social science as realism and positivism, respectively. Such a categorization may explain a common "misconception that positivism and realism are much the same thing" (Ackroyd and Fleetwood 2000:8). In this respect, it may be argued that the assumption that "the world exists independently of our knowledge of it" (Sayer 1992:5) is common to both realist and positivist ontology (Morgan and Smircich 1980). It is rather the assumption of a differentiated and stratified world into a real, an actual and an empirical domain (Bhaskar 1978; Harré and Madden 1975; Harré and Secord 1972; Outhwaite 1987), which primarily distinguishes realist from positivist ontology.

In particular, realists assume the world to consist of *generative mechanisms* or *causal powers* located in the real domain, whose activation may generate *events* in the actual domain. *Events* are only observable as *experiences* in the empirical domain, and may be out of phase with the mechanisms that create them. In Sayer's (2000:11) words: "the real is the realm of objects, their structures and powers. Whether they be physical, like minerals, or social, like bureaucracies, they have certain structures and causal powers, that is, capacities to behave in particular ways, and causal liabilities or passive powers, that is, specific susceptibilities to certain kinds of change". An example of *objects* are individuals, who are expected to possess an idiosyncratic set of causal powers, that is, "dispositions that are generative of behaviour" (Sayer 2000:85) in virtue of their physical make up, socialization and education.

Objects are characterized by *internal* or *necessary relations* as well as by *external* or *contingent relations*. When internally or necessarily related, an object has an identity, which cannot be dissociated from that of another object. A manager and a subordinate, for instance, are internally or necessarily related in the sense that one can only be defined in relation to the other. Conversely, when externally or contingently related, either object can exist without the other (Sayer 1992). In realist terms, "contingent" thus means that a relationship between objects is "neither necessary nor impossible" (Sayer 1992:89).

When two objects are necessarily related and thus have their identity mutually constituted, they form a *structure*, that is, "a set of internally related objects or practices" (Sayer 1992:92). Such a structure is expected to have *emergent* powers itself, which are irreducible to those of its constituent parts (Tsoukas 2000). Internal or

³ In Easton's view, "orientation" is as a fixed profile of positions on interrelated factors such as axiology, ontology, and epistemology, which influences methodological decisions.

necessary relations between objects thus determine the nature (what) of social phenomena, whereas external or contingent relations determine whether its causal powers will be activated (where, when, how) and with what effects (Danermark et al. 2002).

Whether a causal power is activated or not thus depends on *intrinsic conditions*, which preserve the nature of the object, and on *extrinsic conditions*, which are external to the object (Sayer 1992). A regular generation of events is achieved when both intrinsic and extrinsic conditions are met, but such a control of all interfering variables is only possible in closed systems (Bhaskar 1978; Harré and Madden 1975). In the social sciences such conditions of closure are virtually unattainable due to: a) individual capacity for learning and self-change, which violates intrinsic conditions, and b) modification of social systems by human action, which violates extrinsic conditions (Sayer 1992).

It follows that “neither objects nor their relations are given to us transparently” (Sayer 1992:209) once that “it is almost impossible to attain complete knowledge of all these relations, and in addition many of them change rapidly” (Danermark et al. 2002: 187). Such a realist stance clearly contrasts with positivist ontology, which assumes reality to consist of determinate relationships between constituent parts whose behaviour is an objective and observable phenomena (Morgan and Smircich 1980). Positivism thus makes no distinction between the actual and the real domains of reality, assuming that objects of knowledge are atomistic events, whose regular co-occurrence may be equated with the causal laws underlying them.

Realism assumes instead that “a cause is whatever is responsible for producing change” (Sayer 2000:94), which can also include unique and irregular events. Realist goals are thus primarily interpretative and explanatory once that “explanation and prediction are only symmetrical under conditions of closure” (Tsoukas 1989:552). Given the impossibility of constructing closed systems in the social sciences, the positivist concern with deterministic or stochastic association of patterns of events can at best support the identification of events in the empirical domain. A constant conjunction of events is, however, neither a sufficient nor a necessary condition for a causal law. Causal explanation requires instead “finding or imagining plausible generative mechanisms for the patterns amongst events” (Harré 1970:125), leading to “the postulation of a possible mechanism, the attempt to collect evidence for or against its existence, and the elimination of possible alternatives” (Outhwaite 1987:58).

2.2 Critical Realist Explanation

The preceding paragraphs review assumptions, which distinguish realism from alternative methodological perspectives as well as *critical realism* as a distinct version of realism. Easton (2002) considers that what fundamentally distinguishes critical realism from other versions of realism is its assumption of necessary and contingent relations among objects, which were briefly discussed above. In the one hand, critical realism challenges *naïve or direct realism*'s assumption that perceptions result in direct and certain knowledge of reality (Hunt 1990) as well as *sophisticated realism*'s emphasis on prediction (Easton 1995). Critical realism shares, however, *classical realism*'s assumption that the world exists independently of the external observer,

fallibilistic realism's assertion that knowledge is uncertain, and *inductive realism*'s concern with inductive fallacy (Hunt 1990).

A critical realist perspective thus views social phenomena as concept-dependent and production of knowledge as a social practice, which influences its content (Sayer 1992). This is not to say that social phenomena do not exist regardless of researchers' interpretation nor that knowledge is exclusively linguistic, but rather that such influences must be accounted for in the evaluation of scientific knowledge. A critical realist explanation will thus involve a gradual transition "from actions through reasons to rules and thence to structures" (Sayer 1992:112).

Actions constitute the phenomena under study, presupposing conditions in terms of which reasons are formulated. *Reasons*, in turn, are inferred from actors' accounts as to why the actions have taken place. In this respect it is assumed that: a) reasons do not need to involve "true" or coherent beliefs to be causes; and b) many causal mechanisms are ordinary and fairly well understood by actors (Sayer 1992). Such reasons are made intelligible in terms of the *rules* they invoke, through the identification of structures or objects responsible for such rules. A critical realist explanation will be complete with the identification of the set of circumstances in which causal powers of objects and structures are exercised.

In other words, actions such as managerial contacts in industrial markets are social events, which take place in the actual domain of reality. Such actions or events are observable as experiences in the empirical domain of reality by both the ones who experience them and those who study them. Those who experience them are able to suggest conditions in which such actions or events occur, that is, reasons, which researchers may further examine in terms of objects in the real domain of reality. In particular, objects may be characterised in terms of necessary and contingent relations and hence associated with intrinsic and extrinsic conditions for the occurrence of such actions or events. Through necessary relations objects constitute structures with their emergent causal powers, which also need to be taken into account in eventual explanations of the observed actions or events.

Given the near impossibility of closure in the social sciences only causal powers can be considered externally valid. In other words, critical realism conceptualises contextual factors as either internally linked with the phenomena under study or as contingencies whose impact on the phenomena is variable. While the former type of contextual factors is generally valid in the real domain, the impact of the latter must be empirically established. Consequently, "researchers do not postulate ironclad laws, but tendencies, which may or may not manifest themselves in the empirical domain" (Tsoukas 1989:558).

The explanatory effort discussed above has been described for the particular case of idiographic research as follows (Tsoukas 1989:558):

In conclusion, an idiographic organizational study, conducted within a realist perspective, moves concurrently on two tracks. On the first track it is "up in the clouds", dealing with abstraction and theoretical conceptualization of the issues at hand. By contrast, the second track is "down to earth", looking for the *differentia specifica* of the cases, namely by investigating the existing contingencies and their interaction with the postulated mechanisms.

The traditional view that explanatory claims based on idiographic research have low external validity may, therefore, be challenged from a critical realist perspective as long as causal powers are identified. Idiographic research supports such a goal by allowing the simultaneous investigation of parts of a phenomena and respective fit within wider contexts. It must be noted, however, that “contrary to a common assumption, structures include not only big social objects such as the international division of labour but small ones at the interpersonal and personal levels (e.g. conceptual structures) and still smaller non-social ones at the neurological level and beyond” (Sayer 1992:92). Such a broad view of structures, that is, internally related objects or practices, implies that a critical realist perspective may inform research at virtually any level of analysis. The following section assesses the implications of critical realism for studies of managerial work at the individual level of analysis.

3 MANAGEMENT STUDIES

It has been argued that in the field of management studies, “management has been largely conceived of as what managers do, at the expense of what managers are capable of doing” (Tsoukas 1989:556). In other words, *management* can be perceived as either “a collective institutional process or simply a set of individuals distinguished by the activities they carry out” (Tsoukas 2000:26). The lack of integration of these two views is thought to explain the rather fragmented literature on management and managerial work (e.g. Caroll and Gillen 1987). To some extent, such a degree of fragmentation may also reflect divergent ontological and epistemological assumptions.

Tsoukas (2000:35) argues that bridging what managers do with what they are capable of doing is only possible with the adoption of a realist perspective, by which “management is endowed with certain powers or capabilities which are not exhausted in their empirical manifestations”. In other words, a distinction is made between the roles, tasks, functions, and causal powers of management, which represent, respectively, ontological layers increasingly closer to the real domain of reality. The author further argues that the closer from the empirical domain of reality, the more dynamic the layers are (Tsoukas 2000). Studies of management roles are, therefore, highly contextual due to contingencies such as the type of job, hierarchical position, organizational effectiveness, industry characteristics, and national features. At the other end of the continuum, studies focusing on a wider socio-economic context may allow the postulation of causal powers and respective conditions, which make management functions possible.

From Tsoukas’s (2000) ontological conceptualisation is not entirely clear whether studies of management roles may provide evidence for management’s causal powers and conditions. Particularly because “the effects generated through the exercise of these contradictory powers are contingent upon prevailing conditions at the organizational, sectoral and societal levels” as well as upon “management preferences and value systems” (Tsoukas 2000:41). In other words, it may be argued that the identification of such contextual factors in a study of management roles may build upon as well as provide evidence for causal powers and conditions identified in previous research. Tsoukas (2000), for instance, suggests the following causal powers of management: *control*, *co-operation*, and *efficiency and effectiveness*, which are further described in section 5.

Such causal powers resemble the classical view of managerial work (Barnard 1938), which emphasizes activities such as systematic control, goal-oriented directives, efficient organizing, and long-term planning. Such a view has been challenged with Mintzberg's (1973) description of managerial work as reactive and consisting of short, fragmented and verbal interactions. The author suggests managerial sets of behaviour or "roles", including *interpersonal roles*, which result from the manager's formal authority, *informational roles*, which provide access to information, and *decisional roles* by which information is used to support decision-making (Mintzberg 1973, 1975). The interpersonal roles of managers mean the establishment and maintenance of personal contacts, not only with superiors and subordinates, but also with individuals outside the formal chain of command.

It is interesting to note that both views conceptualise formal authority as an inherent characteristic of managerial work. The classical view explicitly defines control as a key managerial activity, whereas Mintzberg's chain of interrelated roles begins with interpersonal roles, themselves resulting from formal authority. This is also in line with Tsoukas' (2000) identification of control as a causal power of management. The present paper is focused on the interpersonal role of general managers in industrial internationalisation. A brief review of previous IMP research on managerial contacts and firm internationalisation in industrial markets is thus presented in the following section.

4 MANAGERIAL CONTACTS IN INDUSTRIAL MARKETS

4.1 Industrial Markets

Research within the IMP group describes industrial markets as networks of inter-firm relationships based on a certain division of labour. Such a division of labour results from heterogeneity, which derives from both *naturally determined* and *acquired* differences among potential exchange partners (Forsgren et al. 1995). Firms thus tend to restrict their transactions to a limited number of counterparts (Håkansson 1982; Turnbull and Valla 1986) given their interdependence in terms of resources and knowledge (Håkansson and Johanson 1984; Thorelli 1986). Heterogeneity is also expected to increase firms' uncertainty in terms of alternative exchange options in input and sales markets (Forsgren et al. 1995). Both sellers and buyers are thus expected to actively communicate with exchange counterparts (IMP group 1982).

Inter-organizational communication is said to occur in a context of both relationships and interactions. Relationships are rather general and long-term in nature, whereas interactions represent the present and dynamic aspects of relationships (Johanson and Mattsson 1987). Relationships can be established either directly or indirectly with counterparts in industrial networks (Easton 1992), presupposing mutual knowledge and trust, which in turn create expectations of further interaction (Forsgren et al. 1995). Interaction between firms comprises processes of both exchange and adaptation (Easton 1992). The former includes three interrelated aspects: product exchange, information exchange, and social exchange, whereas the latter includes any means of adjusting firms to each other (Forsgren et al. 1995).

4.2 Managerial Contacts

Previous research on personal contacts in industrial markets (Cunningham and Turnbull 1982; Axelsson and Agndal 2000; Halinen and Salmi 2001) rarely distinguishes managers from other individuals. An exception worth mentioning is a contribution from Cunningham and Homse (1986), which distinguishes inter-organizational personal contacts between: a) a salesman and a buyer, b) functional staff, c) functional managers, and d) general managers. Hallén (1992) focuses on non-task personal contacts of top executives in industrial markets. The author refers to *infra-structural relations*, which may emerge either around the firm's business activities or around specific individuals' professional and private activities. Such managerial contacts are regarded as important to handle the firm's dependence on business and non-business parties for marketing purposes and/or long-term influence.

In general, studies inspired by the IMP group suggest that personal contacts in industrial markets are associated with individual, organizational and market factors. In particular, with the perceptions, attitudes and behaviour of individuals (IMP group 1982; Halinen and Salmi 2001), which are in turn affected by their personality (Halinen and Salmi 2001) as well as cultural- (Cunningham and Turnbull 1982; Hällén 1992; Björkman and Kock 1995; Andersson et al. 1996), language- (Cunningham and Turnbull 1982; Andersson et al. 1996), and professional background. The latter has also been specified into the individual's career (Hällén 1992; Björkman and Kock 1995; Andersson et al. 1996; Axelsson and Agndal 2000; Halinen and Salmi 2001) and tenure (Hällén 1992).

At the organizational level, factors such as the age of the inter-firm relationship (Cunningham and Turnbull 1982; Cunningham and Homse 1986; Björkman and Kock 1995; Andersson et al. 1996), the business volume exchanged (Cunningham and Turnbull 1982; Cunningham and Homse 1986), and supplier strategy (Cunningham and Homse 1986) are also expected to influence the occurrence of personal contacts in industrial markets. At the market level, such factors include the complexity of technology involved (Cunningham and Turnbull 1982; Cunningham and Homse 1986), industry norms of behaviour (Cunningham and Turnbull 1982), market structure (Cunningham and Homse 1986), and employee turnover among employers (Björkman and Kock 1995; Halinen and Salmi 2001).

Axelsson and Agndal (2000) examine personal contacts as driving forces and enablers of industrial internationalisation thus coming closer to the focus of the present paper. The authors claim that research on inter-firm networking has rarely been conducted at the individual level of analysis, but also recognize that internationalisation may seldom be explained by personal contacts alone. They also question the extent to which individuals' network of contacts may be controlled at the organizational level by either managerial intervention or integrative mechanisms.

The present paper does not claim personal contacts to be an externally valid explanatory factor of internationalisation, once that in critical realist terms such behaviour is conceptualised as a social *event* itself, rather than an *object* or *structure* with causal powers. It attempts, instead, to explain firm internationalisation as the result of both necessary and contingent relations of managers, who are conceptualised as *objects* with the ability, among others, to create personal networks (Easton 2000). In other words, the

present paper conceives personal contacts of managers in industrial markets as the manifestation of their causal powers, which in turn helps explain another event, which is firm internationalisation. The following section thus reviews industrial internationalisation as described within the IMP group.

4.3 Industrial Internationalisation

The dominant perspective in general corporate strategy theory assumes the firm as a separate system, which is affected by and adapts to a faceless and competitive environment (Axelsson 1992a). Strategic actions are, therefore, conceptualised as efforts by firms to influence their relationship with an environment, which is perceived as faceless, atomistic and beyond the firm's control (Håkansson and Snehota 1989). Such a view contrasts with the industrial network approach described in section 4.1, which assumes the firm's activities in industrial markets to be cumulative processes (Mattsson and Johanson 1992). Relationships are continuously established, maintained, developed and broken in order to provide satisfactory short-term economic return and to create network positions, which ensure the long-term survival and development of the firm (Johanson and Mattsson 1986).

In the case of internationalisation, the firm is expected to establish and develop exchange relationships with firms in other national networks. Internationalisation of the firm is largely dependent on its current positions in both domestic and foreign networks and it can take the form of *foreign market entry*, *penetration*, or *international integration* (Axelsson and Johanson 1992). In the particular case of foreign market entry, the firm is expected to establish positions in new country-based networks, which ensure its sales and access to important resources (Axelsson and Johanson 1992; Johanson and Mattsson 1997).

Furthermore, the internationalisation of a firm is thought to encompass four interwoven sub-processes. Two such processes concern the situation of the firm, whereas the two other relate to the individuals in the firm. The situational processes determine the nature of situations within which individuals operate in industrial foreign markets. In the one hand, the *supplier-customer interaction process* involves inter-firm interactions, which may evolve into extensive and close relationships depending on the degree and convergence of ambitions and abilities from both parties. In the other hand, the *channel organizing process* relates closely to such interactions, representing an attempt to shorten the distance between the firm and the customers (Håkansson 1986).

The individual processes include perception as well as knowledge and experience of foreign markets. The *market perception process* influences the firm's perception of each foreign market, based on continuously changing attitudes rooted in the social environment of the firm. The *market knowledge and experience process* influences the firm's ability to interpret and analyse the results of its perception. Both individual processes are, therefore, interwoven and may be traced back to certain individuals or policy decisions (Håkansson 1986).

Such a conceptualisation does not specify the type of job or hierarchical position of the individuals involved in the internationalisation processes. The following section attempts, therefore, to integrate such IMP views on firm internationalisation with previous research on managerial work. The same section presents a model, which

reinterprets situational and individual sub-processes of industrial internationalisation from a critical realist perspective.

5 CRITICAL REALIST INTERPRETATION OF MANAGERIAL CONTACTS IN INDUSTRIAL INTERNATIONALISATION

The participation of general managers (Cunningham and Turnbull 1986) in firm internationalisation can be better understood with a brief description of the dynamic nature of industrial markets. In their model of industrial networks, Håkansson and Johanson (1984) argue that stability and development are interdependent in industrial markets once that industrial development is based on relatively stable relationships. The model's basic classes of variables are actors, activities and resources, which are described as interrelated networks representing the overall industrial network. The interrelatedness of the variables results from their circular definitions. Actors are defined as entities ranging from single individuals to groups of firms, which perform activities based on control of resources and knowledge, either directly based on ownership or indirectly through relationships. Actors develop such relationships with other actors in a goal-oriented fashion i.e. in order to increase control over the network (Håkansson and Johanson 1984).

The model emphasizes the functional interdependence of actors, activities and resources, as well as a power structure based on the control of resources and knowledge. Actors' knowledge and relationships influence the design of activities and the use of resources, which in turn form the basis for future developments (Håkansson and Johanson 1984). Such a dynamic view of industrial markets has been further developed to account for the evolution of networks as a dynamic interplay of *actor bonds*, *activity links*, and *resource ties* (Håkansson and Snehota 1995).

General managers can, therefore, be conceptualised as actors, who are characterized in terms of their bonds to other actors and their control of resources. Such actors and resources may be internal or external to the legal boundaries of the firm they manage (Håkansson and Snehota 1989). As referred in section 3, such bonds at the individual level have been previously labelled the interpersonal role of managers (Mintzberg 1973). For the specific case of foreign subsidiary managers in industrial markets, such an interpersonal role has been sub-divided into *sensor* and *allocator* roles (Madureira 2002), which account for its informational and decisional implications, respectively. The present paper is concerned with the involvement of general managers in industrial internationalisation, thus integrating such findings with IMP views described in the previous section. The result of such a conceptual integration is a model (see Figure 1 below), which forms the basis for a critical realist interpretation of managerial contacts in industrial internationalisation.

Figure 1 Basis for a critical realist interpretation of industrial internationalisation

Sensing	<i>Market knowledge and experience process</i>	<i>Market perception process</i>
Allocating	<i>Channel organizing process</i>	<i>Supplier-customer interaction process</i>
	Relationships	Interactions

In the one hand, the model suggests that general managers participate: a) as *sensors* in the individual sub-processes of *market knowledge and experience* and of *market perception*, and b) as *allocators* in the situational sub-processes of *channel organizing* and of *supplier-customer interaction* (Håkansson 1986). In other words, through their interpersonal role (Mintzberg 1975) general managers: a) exchange information thus performing their informational roles; and b) allocate resources thus performing their decisional roles. In the other hand, the model suggests that such sub-processes of internationalisation differ in terms of the scope of time they imply. In particular, the *market perception* and *supplier-customer interaction* processes resemble, respectively, the present and dynamic aspect of the *market knowledge and experience* and *channel organizing* processes, which are more general and long-term in nature. In other words, such processes are here conceptualised as intertwined with either interactions or relationships at the firm level (Johansson and Mattsson 1987).

Managerial contacts can, therefore, be interpreted as individual behaviour i.e. events in the actual domain of reality, which may be observed in the empirical domain through the accounts of those who experience them. The ultimate challenge for the researcher is, however, to explain the interplay between individual agency and social structure in terms of causal powers in the real domain of reality. The causal powers reported in this paper were identified in literature (Tsoukas 2000) and supplemented with the findings of an empirical study, which is described elsewhere (Madureira 2002).

In the one hand, general managers are expected to contribute to the firm's *knowledge and experience* of a foreign industrial market by taking contacts with subordinates such as marketing directors and salesmen to whom they are necessarily related. Such contacts allow general managers to *sense* the foreign industrial market and may be interpreted as the manifestation of their "ability to *control* the transformation of labour potential of subordinates to actual labour" (Tsoukas 2000:39). The empirical study referred in the previous paragraph suggests that the activation of such managerial ability or causal power is contingent on contextual factors, which include the *reporting process* and *size* of the firm they manage (see Table 1 below).

Table 1 Critical realist interpretation of the market knowledge and experience process

Objects	Causal Powers	Conditions	Events
Managers necessarily related to subordinates, and contingently related to properties of their firm	Ability to control subordinates	Exercise of control as contingent on the reporting process and size of the firm	Sensing at the individual level which contributes to market knowledge and experience at the firm level

In addition, general managers are expected to influence the firm’s *perception* of a foreign industrial market by taking contacts with other individuals in that market to whom they are necessarily related. Such contacts also allow general managers to *sense* the foreign industrial market and may be interpreted as the manifestation of another management’s causal power, which is their “ability to elicit active *co-operation*” (Tsoukas 2000:39). The empirical study referred above suggests that the activation of such a causal power is contingent on contextual factors, which include the general manager’s and individual counterparts’ *background, career, language skills, social skills, and availability* (see Table 2 below).

Table 2 Critical realist interpretation of the market perception process

Objects	Causal Powers	Conditions	Events
Managers necessarily related to individuals in the market, and contingently related to properties of themselves and other individuals	Ability to elicit co-operation from individuals in the market	Exercise of co-operation as contingent on the background, career, language skills, social skills and availability of individuals	Sensing at the individual level which contributes to market perception at the firm level

On the other hand, general managers are expected to influence the *channel organizing* in a foreign industrial market by taking contacts with subordinates and individuals in that market, to whom they are necessarily related. Such contacts, which general managers take in order to *allocate* resources, may be interpreted as the manifestation of management’s causal power or “drive towards *efficiency and effectiveness*” (Tsoukas 2000:39). The empirical study referred above suggests that the activation of such a causal power is contingent on contextual factors, which include the *start-up, business volume, organizational change, and planning- and approval processes* of the firm they manage (see Table 3 below).

Table 3 Critical realist interpretation of the channel organizing process

Objects	Causal Powers	Conditions	Events
Managers necessarily related to subordinates and individuals in the market, and contingently related to properties of their firm	Drive towards efficiency and effectiveness together with subordinates and individuals in the market	Exercise of efficiency and effectiveness as contingent on the start-up, business volume, organizational change, and planning- and approval processes of the firm	Allocating at the individual level which contributes to channel organizing at the firm level

Finally, general managers are expected to contribute to *supplier-customer interaction* in a foreign industrial market by taking contacts with subordinates and individuals in that market, to whom they are necessarily related. Such contacts, which general managers also take in order to *allocate* resources, may be equally interpreted as the manifestation of management’s causal power or “ability to elicit active *co-operation*” (Tsoukas 2000:39). The empirical study referred above suggests that the activation of such a causal power is contingent on contextual factors, which include the general manager’s *tenure* and *experience* as well as the *corporate culture* and *age of relationships* of the firm they manage (see Table 4 below).

Table 4 Critical realist interpretation of the supplier-customer interaction process

Objects	Causal Powers	Conditions	Events
Managers necessarily related to subordinates and individuals in the market, and contingently related to properties of themselves and of their firm	Ability to elicit co-operation from subordinates and individuals in the market	Exercise of co-operation as contingent on the tenure and experience of individuals as well as on corporate culture and age of relationships of the firm	Allocating at the individual level which contributes to supplier-customer interaction at the firm level

6 CONCLUSIONS

As mentioned in section 4.2, research within the IMP group has identified individual, organizational and market factors, which supposedly influence the occurrence of personal contacts in industrial markets. Such contributions appear to share an ontological view, which collapses, in critical realist terms, the real and the actual domains of reality. In particular they seem to search for patterns of events based on large databases, apparently equating causal laws with constant conjunctions of events. Two short quotations from Cunnigham and Turnbull (1982) illustrate this point:

There are several groups of variables, identified in the theoretical model of interaction, which affect or are affected by, personal contacts. (305)

The data base for such comments comes from case studies in several countries and in a variety of industries. This now requires a more extensive examination using the larger data base of the many relationships studied in this research project. (315)

The same concern, combined with an apparent goal of prediction, is illustrated with a longer quotation from Axelsson and Agndal (2000:18):

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?

A critical realist perspective “rejects the atomistic reductionism of individualistic theory and the abstracted reificationism of methodological collectivism” (Reed 2000:54) proposing, instead, mediating concepts such as *positions-practices* by which individual agency interrelates with social structure. The primary goal of research is, therefore, not prediction, but the explanation of phenomena in terms of its causes. As discussed in section 2.1, causation is equated with the operation of causal powers in the real domain of reality and not with the regular occurrence of events in the actual domain.

The present paper provides a critical realist explanation of firm internationalisation in industrial markets by reinterpreting the sub-processes, which were suggested by Håkansson (1986). Implicit in such a reinterpretation is the assumption that a distinction between *individual* and *situational* sub-processes of internationalisation requires a further specification of the *actors* involved in such sub-processes in order to clarify the interplay between individual agency and social structure. In this respect, Håkansson (1986) acknowledges that the four sub-processes of internationalisation are interwoven and interrelated, but does not specify the individuals involved in such sub-processes. In addition, the author appears to equate individual and situational sub-processes of firm internationalisation with individual agency and social structure, respectively.

By focusing exclusively on general managers as actors who participate in inter-firm exchange and adaptation processes in industrial markets, the model presented in section 5 suggests, instead, that individual agency interrelates with social structure in each sub-process of internationalisation. In other words, individual and situational sub-processes of internationalisation represent not a voluntarism/determinism dichotomy, but two types of processes, which require distinct managerial contacts. In the one hand, the processes of *market knowledge and experience* and of *market perception* are here assumed to require managerial contacts for information-exchange and assessment, that is, individual *sensing*. In the other hand, the processes of *channel organizing* and of *supplier-customer interaction* are thought to require managerial contacts for negotiation, decision-making and resource allocation, that is, individual *allocating*.

In each of the four sub-processes of firm internationalisation, the interplay between individual agency and social structure is conceptualised in terms of contextual factors at

the individual and organizational levels of analysis (see *conditions* in Tables 1 to 4). Such contextual factors are contingently related to objects in the real domain of reality, which, in turn, possess causal powers or the ability to generate events in the actual domain of reality. The explanation of firm internationalisation here presented may thus be regarded as externally valid only in terms of objects in the real domain of reality, the structures they mutually constitute, and respective causal powers.

In the present paper, objects and structures are suggested in terms of necessary relations of general managers with their subordinates and with individuals in a foreign industrial market. In addition, it is suggested that the manifestation of management's causal powers in the actual domain of reality is contingent on contextual factors, which include the *background, career, language skills, social skills, availability, tenure, and experience* of individuals as well as the *start-up, business volume, organizational change, size, corporate culture, age of relationships and reporting-, planning-, and approval processes* of the firm.

The empirical examination of such contextual factors and of their relationship to industrial internationalisation constitutes an avenue for further substantive research. In addition, it would be interesting to examine the extent to which other individuals than general managers participate in sub-processes of internationalisation. Methodologically, it is the identification of causal powers and the ways they combine to generate events, which constitutes the main challenge for those willing to adopt a critical realist stance. Such a gap in terms of concrete methodological prescriptions represents, therefore, a promising research agenda.

Finally, the explanation of firm internationalisation here presented may also have implications for practitioners, which have to do with the definition of actor in general, and with the scope of individual agency in particular. In the one hand, actors in industrial markets may be more or less "personalised" in terms of the influence that a single individual has on the decisions of the firm. In the other hand, the discretion of any individual in the firm is naturally contingent on situational constraints. In this respect, the present paper is expected to support general managers in industrial markets by identifying individual and organizational factors that clarify the extent to which they may participate or otherwise delegate the informational and decisional requirements of their firm's internationalisation.

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