Relationships and networks – events enabling and inhibiting corporate internationalisation

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Abstract

Economic-based theories and behavioural approaches have for a long time dominated the internationalisation theory of the firm. The gradual development models and learning-commitment approaches have occupied the scene. In the era of globalisation, deregulations, rapidly changing markets as well as technological change firms are facing a different possibility space than previously. This is also the case for small and medium sized enterprises (SMEs). Internationalisation through relational networks and events related to international corporate development is presented in this paper as an avenue for research. A case study of a Finnish SME in paper business targeting the Greek market in particular is used for developing this approach.

Key words: Internationalisation, Business networks, Critical events, Process research

Introduction

The intense development of international and global business forces companies to undertake international activities as the markets become less domestic. According to Leonidou (2004, p.281) the changes have led to the emergence of a business environment that has never been so global, interdependent, and connected, widening in this way both the scope and scale of opportunities open to sellers.

It is generally assumed that internationalisation is a part of deliberate strategy formation in a company, but there is only scarce empirical evidence about the validity of this assumption (Agndal and Axelsson 2002, p. 437). By applying a network approach, the internationalisation of a firm may be better understood through the changing position and embeddedness of the firm. How a company is embedded within a set of actors, at a certain point in time, functions both as an opportunity and a constraint for the firm. The strategy of a firm stems not only from the firm itself but also from its business network configurations. Business networks play a significant role in a contemporary firm's activities. This plays a specific role for Small and Medium Sized Enterprises (SMEs). Meyer and Skak, (2002, p.179), for example, highlight the impact of business networks and argue that the ability of an SME is limited in planning and controlling its internationalisation process.

There is therefore a need to increase our understanding of a firm's internationalisation process by using a network perspective (Ford 2002, Gemünden et al. 1997). To our notion there exist a need to identify theoretical grey areas in existing internationalisation theory; such as the role of business and social relationships, luck and 'surprises' as well as timing, which are usually not seen as elements of internationalisation process-models and theories.

To understand a firm's development process in international activities the respective critical events need to be identified. Hedaa and Törnroos (1997) put forth the notion of event networks, which may appear as streams of interconnected events (event trajectories). Trajectories of connected events can be seen as the key cohesive determinant for the change of business networks (cf. Hedaa and Törnroos 1997).

This study analyses an evolving business network from a focal firm point of view in paper trading, converting and packaging industry (Elo 2005). The study period covers the years 1994-2004. During this specific period of time the evolution of the focal firm, its first-level business relationships related to the new market area and the focal business net have been followed in real time. Data and research material has been collected during 1993-2004.

The paper is limited to export and trading related activities and network-based theories. Johanson and Mattsson (1988) presented a network-based internationalisation approach, which illustrates a change in perspective concerning internationalisation of the firm. They put forth why and how firms internationalise by taking into account the immediate business environment in the form of business networks in different market situations.

Fletcher and Barrett (2001, p.571) build on Johanson's and Mattson's work and examine embeddedness and evolution of global networks using a network view and they point out the types of internationalisation that takes place using business networks: international extension, international penetration and international integration. Their case showed the importance of managerial atmosphere and the impact of environment in which the networks of relationships were embedded. According to them the environment was influential in the internationalisation process of the case firms.

The paper develops the aforementioned views by highlighting the impact of critical events and their impact on business networks and internationalisation. Particularly those business network relationships that act as sources of change and form opportunities and/or constraints play a significant role (cp. also the "paradoxes" inherent in business networks as proposed by Håkansson & Ford (2002).

If summarised, the problem setting of the present paper is to tackle the following questions: What critical events can be traced in the firm's internationalisation process? How can internationalisation process of SME-firms be understood by noting the role of events and the embeddedness of the firm in its international development and position? How can current theory be developed using this research approach in a practical case?

Objectives and research approach

Based on the theoretical framework, the paper describes and examines how a Finnish SME-company expands to the Greek market by exploring and exploiting its business network generated opportunities and constraints[1]. The objective is to explore the dynamics in the development of a locally-oriented SME-company to an internationally experienced company in the paper converting

[1] The paper is based on the empirical material in Elo (2005)

business. The study analyses the evolution of the focal company in terms of its internationalisation. It examines the development of the firm in relation to its network environment.

The research strategy is mainly descriptive and explorative. The research focuses on the degree of internationalisation and how it has been developed in this specific case. The study uses a process view, through identifying critical events and analysing the flow of development over time.

A qualitative case study is used as a base. It can be characterised as an embedded case study having a processual nature (Yin 1984, p.41). Easton (1995) argues that case research is perhaps the most appropriate methodology for research in industrial networks as it takes into account the embedded character of network relationships and allows identification of the causal forces influencing actors' behaviour and network creation. Here the case-the firm in its business network-provides insight to the research questions and assists in general understanding, it is an instrumental case study (Stake 1995; Tsoukas 1989; Eisenhard 1989).

The case study deals with a focal company, which is embedded in an internationally expanding business network. The data concerning the focal firm and its business network is collected with several methods and triangulated. Field notes, direct observations, interviews, discussions, company documents, memorandums, correspondence, annual reports, archival material and other supportive material was used.

The development process is examined by applying methods of critical events and event networks. This study focuses on the internationalisation-related role of events. It divides them into exogenous and endogenous events reflecting the generation of a specific event. Exogenous events are seen as given events which the actors can not directly influence.

The events consist of critical events, which incorporate change, forces arising from interaction in the dyad (Halinen, Salmi and Havila 1999). Critical events have a negative or positive nature concerning international development. Not all events are critical and some critical events may be less significant as such, but due to the contextual setting they may take disproportionate dimensions. Flanagan (1954, p.327) describes the nature of a critical event: *"an incident must occur in a situation where the purpose or intent of the act seems fairly clear to the observer and where its consequences are sufficiently definite to leave little doubt concerning its effect*".

Olsen's Critical Incident Technique (Olsen 1992), with a process-oriented view stresses the critical episodes in addition to critical acts and focuses on the triggering factor in particular. Here the triggering factor has two dimensions; it refers to both a visible and an invisible influence factor. Visible factors can be perceived and anticipated by management but invisible factors are hidden and unexpected implying reduced manageability. Voima (2000) defines in her study three elements: source, process and outcome. Here they are applied as *influence factor, critical event and change*. The analysis focuses on foreign operations; the creation of relationships in the target market, the development of those relationships and the possible termination of relationships, as well as the respective activities, export and marketing operations and the respective resources.

The paper starts by a theoretical overview of corporate internationalisation from a network perspective. In the next section some critical views are presented after which the network-based internationalisation from an event-process perspective is presented. The case company and its development path are described in the following part of the paper. Thereafter an analysis is made of the empirical case in relation to the presented theoretical frame with critics and suggestions for development concerning theory and method of internationalisation using a network approach. The paper ends with concluding points and implications for theory and practical management.

The theoretical basis - The Network Internationalisation Approach

Johanson and Mattsson (1988) established a network-based internationalisation approach, which presents a change in perspective and describes why and how firms internationalise by taking into account the immediate business environment in the form of the business network and market. According to them, a firm is embedded in a network and its internationalisation process is linked to that of its networks, both domestic and foreign. They explicate the impact of business networks theoretically.

Johanson and Mattsson (1988) define internationalisation as the process of firms aiming *1) to establish positions in new networks 2) to develop existing positions and increase resource commitments in profitable nets, and 3) to increase coordination between positions in different national nets.* They see it as an evolutionary process, where relationships form the bridges to foreign markets. Using a "market as networks" view the definition of international market entry is: *"the way in which existing relationships in the domestic and in third markets as well as those in the entry market are utilised in the entry process"* (Axelsson and Johanson, 1992, p.219)

Johanson and Mattsson (1988, p.297-306) assume that a firm's position in the network is a key factor to maintain and develop. Both the degree of internationalisation of the firm as well as the internationalisation of the market influences the process. They have identified four types of firms and situations as categories:

1. The Early Starter has limited relations with foreign firms. The same applies to other firms in the production net. The firm has very limited knowledge about international business, therefore the firm uses local agents or trading houses or other firms who have international experience in order to be able to start international operations and to learn from them. It takes advantage of the existing positions in the market occupied by other firms (Johanson & Mattsson 1988, p. 298).

The stimulus to internationalise is often taken by other actors than the firm itself. Investing in foreign operations is limited. When the degree of internationalisation increases it may move to the next phase, the lonely international.

2. The Lonely International is a case where the firm is highly internationalised but the market environment is not. The firm has previous experience and knowledge, therefore it may adjust to differences in international markets and it may enter into new nets abroad and extend its operations. It may use its network in order to expand. The firm is more autonomous concerning expansion to new markets when compared to other actors in the network. It is more likely that the role of this firm will develop to that of a promoter for international expansion of its counterparts in the network.

3. The Late Starter uses its domestic network as a learning platform for starting international operations. Relationships in the home market may be driving forces to enter foreign markets. The firm can be 'pulled out' by customers or suppliers and, in particular, by complementary suppliers, e.g. in big projects. Market investments in the domestic market may function as driving forces and can be seen as assets that can be utilised when a firm internationalises.

4. The International Among Others. At this level the firm and its environment (or networks of business relationships) are highly internationalised. International extension or penetration means only a gradual change in the position of the company in relation to its existing level of internationalisation. The firm may use its international net in order to connect to other nets.

Coordination is essential since a firm has to take into consideration shifts in production costs across the markets in which it operates and the impact of competitors' moves. In terms of manufacturing activities, a firm may use diverse suppliers across different countries/regions, instead of producing these themselves (i.e. outsourcing). The possibility to coordinate operations due to changes in the business environment is inherent in The International Among Others phase. When a firm has existing international business contacts it can utilise these links to familiarise itself with the changes and how to take advantage of the changes (Johanson & Mattsson 1988, p. 305-306).

The processes that occur within each of these categories represent one key contribution within this model. It is not a stage model in the sense that a firm should shift to another category.

Business networks consist of long-standing relationships between legally independent firms that exploit mutual complementarities and exchange information. There are also loosely structured networks where the bonds are weak and networking occurs informally. Business networks are coordinated through interaction between actors in the network, being generally based on trust and/or common long-term interests (Johanson and Mattsson 1988; Meyer and Skak 2002).

Johanson and Mattson (1988) developed an internationalisation theory that has become a basis for several other studies. Blankenburg-Holm's (1995) view on network internationalisation has similarities with Johanson's and Mattsson's model, she considers that internationalisation develops from foreign network knowledge to identification of internal/external forces towards establishing linkages to foreign network, which leads to a realised foreign market entry. Also Coviello's and Munro's (1997) approach seems to support the usage of network linkages as well as Fletcher's model (2001).

Critical aspects on network internationalisation

The main contribution of business networks to internationalisation comes from the shift towards a more dynamic view and from the change in the viewpoint; instead of examining a single firm's international development pattern a wider context is taken into account. Firms evolve in a business network, but also a business network evolves (cf. Törnroos 2002) and may develop towards an entity, forming its own competitive advantages based on a sort of organisational cohesion and accumulation of capabilities. Cooperative arrangements have both advantages and disadvantages (cf. Luostarinen and Welch 1990) that apply to business network formation and request for methods such as critical event and trajectory analysis enabling a deeper understanding.

Hadley and Wilson (2003) operationalised the network model of internationalisation by Johanson and Mattsson and claim that internationalisation knowledge is significantly related to the firm's *market diversity*. A firm's exposure to culturally dissimilar markets facilitates its ability to conduct international operations. They suggest that a firm's inadequate ability to accumulate important procedural knowledge may be a preventing factor for pursuing international strategies. They do not consider the size of the firm to be a preventing factor in pursuing international activities. This also supports the view of Coviello and McAuley (1999). Despite the size and resource limitations, SMEs may internationalise by using different strategies and by behaving differently than the larger enterprises. The diversity of the markets in which the firm operates seemed to be more important than the number of the markets (Hadley and Wilson 2003, p.712). The writers also question whether a focus on other sources of internationalisation knowledge, such as internalisation knowledge and foreign business knowledge, could be more useful to the internationalising firm than foreign institutional knowledge (Hadley and Wilson 2003, p.713).

The shortcomings of Johanson and Mattsson's model, identified by Chetty and Blankenburg Holm (2000, p.89), are related to the differentiation criteria of firms and categories and their overlap. They criticise the model for not having the decision-maker and firm characteristics integrated in it. They discuss the utilisation of network relationships in problem solving and the external uncontrollable factors, which are excluded in the model. Chetty and Blankenburg Holm (ibid) consider it unfavourable that the position shifting of a firm from one category to another, the forming of "hard business networks" and respective relationships, as well as the other dimensions of the business network in the form of customers and the government, are not included in the model.

The Case - The focal company and its business network

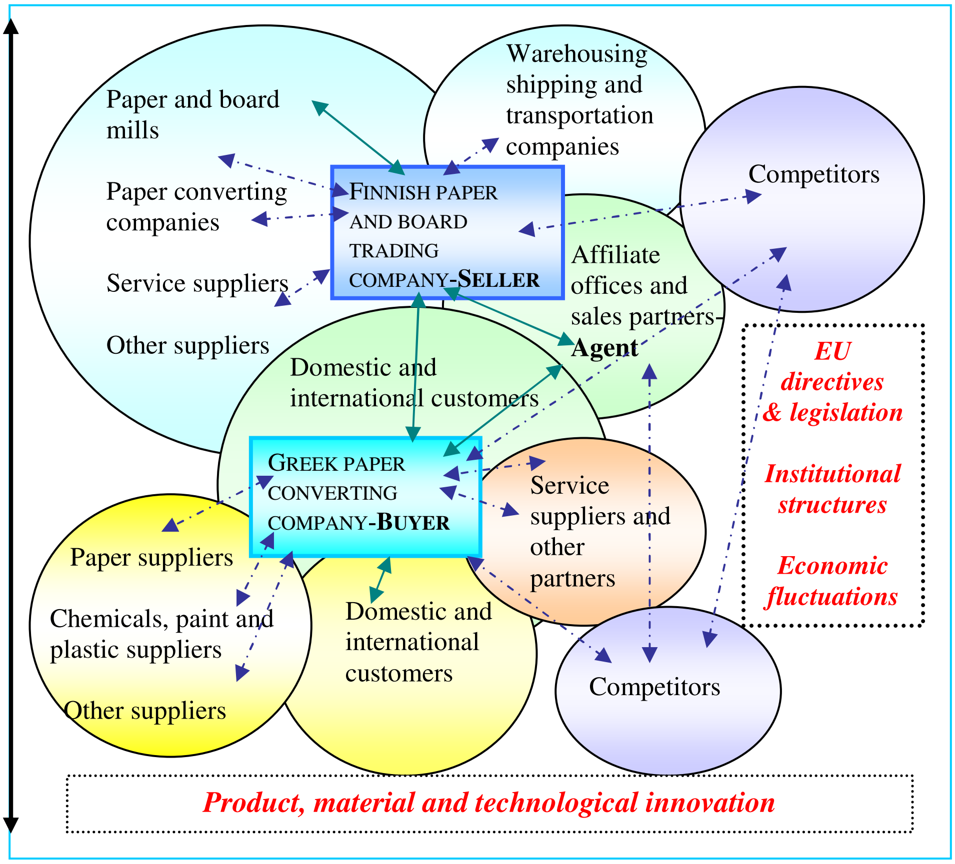
The focal firm, a Finnish paper trading company, is studied analysing its internationalisation process in terms of its entry, further development and integration into the Greek market. This is defined as a market area[2], which represents countries of greater psychic distance from one another. The selection of geographical focus is chosen as it offers a good example of the development in internationalisation process. The focal firm has already existing operations in other European countries by the time it enters the Greek paper business, therefore this focus exemplifies the "second wave" of its internationalisation process illustrating aspects of both international expansion and integration. The paper illustrates how the focal firm increases its degree of international expansion, and also its degree of international integration by using its business network.

The selected business net around the focal firm is the analytical construct that limits the focus of the empirical study. On the other hand it is adequate for describing network internationalisation process, which occurs through the growing integration and expansion of activities and the sharing of resources.

The actors in core positions, the Seller (the Finnish paper and board trading company), which is the focal firm and the Buyer (the Greek paper converting company), have their own networks that are complex, multiple and only partially overlapping. The focal net is "located" in an international market for the paper business where borders may have little significance. Customers and suppliers cooperate across markets and geographical areas and the e-commerce is emerging as a new market dimension.

[2] Market area here refers to the arena of activities, the focus. Naturally the Greek development is intertwined with other areas and therefore not an isolated phenomenon.

Figure 1. *The activity continuum of the paper trading and converting network –the position of the focal net and dyads in the form of activity links from this Seller-Buyer perspective*



The development of the firm

A description of the development of the focal firm - the Seller - and its structure is presented in this section. The description illustrates the role of its entry into the Greek market as a part of the firm-level development process. Greece was one of the first target countries with great business distance, therefore it has instrumental features.

The internationalisation process of this firm is not easy to define. First, the firm evolves through its activities, resources, connections and ownership configuration. Second, there are multiple overlapping processes both in time and geographical areas. When taking a limited perspective on one market and the entry and development process on that market, is seems evident that the firm's evolution is linked to a wider context.

We attempt to compare the focal firm development to the situations presented by Johanson and Mattsson (1988):

The firm has development situations that do not perfectly match any of the categories presented in Johanson's and Mattsson's model. The firm was originally established in 1973 in Finland as being a purely domestic firm. Channel and customer service net - organised subcontracting and service net for the paper industry functioned as the original business idea. The further development of converting activities and subcontracting made the company a key partner for the paper industry. The domestic stage took place in a domestic business network, where the counterparts were large firms having also international experience, but the activity they were involved with the Seller 1 was of domestic nature. The company grew rapidly during 1973-1980 and created a domestic net of subsidiaries and partners in a production chain for a number of product lines.

Between 1980 and 1990 this family-owned firm already had various independent units and subsidiaries, which were active mainly on a local or domestic basis. The customer and partner base of the firm consisted to a significant degree of international paper companies and large mills, but also of local SMEs.

The company started its international activities in a 'late starter' situation. During the 80's and 90's the firm experimented with exports to its pilot customers. These experiments constituted the early internationalisation phase, during which time exports developed into an additional activity to the existing business, balancing capacity utilisation and fluctuations in the paper business. The paper industry had already a high degree of internationalisation, but the focal company had only a limited experience in international activities despite its achieved position in the domestic market. The internationalisation capacity largely stemmed from the company's experienced and qualified personnel. The social and entrepreneurial networks of the managers assisted in exploring markets and exploiting opportunities. Despite the early attempts, the international activities did not yet follow an organised form. But they enhanced learning and the company's further evolution, opening new horizons.

The next situation, the rapid business network development in inward activities is not explicit in Johanson's and Mattsson's model where the outward activity is more explicitly the basis of the model. In the early 1990's the company had developed into a group of companies having several divisions (subcontracting partnerships, manufacturing and converting and sales). Its business network connections were extensive and significant, but used for inward and domestic activities. Its strategy stressed domestic expansion into a new market: the paper and board wholesale business. Therefore resources were reduced from international activities, intentionally decreasing the importance of exports. It can be said that the company de-internationalised in terms of its outward activities. The development stemmed from the firm's network environment; its supplier relationships and services, combined with converter know-how, which stimulated the strategic turn.

In the mid-1990's the company attracted a major foreign partner. The firm established organised import operations and started exporting again. The strategic partnership emerged with the foreign partner making one unit of the firm a core player in its market segment. This well-known representation further facilitated growth and gave impetus to the effort in wholesale business. The partnership meant a great deal since it provided access to large product resources and an established status in the market. Significant import operations were now carried out.

At this point, the focal company resembles an 'Early starter'; as it is not very experienced concerning outward activities. The international business of the firm (exports) differs from its domestic operations. The domestic partners (production and supply) are internationally oriented, but the foreign business partners (buyers) have rather limited knowledge of international business. This change process generated a rebirth of exports as the network context expanded and new partnerships in agencies and representations were obtained. The group member companies had independent activities in various market segments crossing national borders. Greece as a market was introduced and tested triggered by an external contact.

The mid-1990 and late 1990's was characterised by further business network expansion and incremental product and distribution improvements through agencies and representations both inward and outward operations. After a tentative process of establishing a sales office in Russia the firm returned to a more indirect strategy in its exports. A distribution based on strong agent relationships started emerging, using established market connections and tacit knowledge of local agents.

During 1997 the creation of an export unit was the first strategic change towards capitalising on international opportunities and contacts. The focal firm developed similarities with a 'Lonely International' in some aspects; it entered to new foreign markets using its own accumulated capability and contact structure. The establishment of a separate export unit took place to clarify the activity structure and create activity based profit centres in the company. The enlargement of the customer base and volume with current products and services and the creation of a covering international sales net through partners and agents were the key goals for the newly established unit. The export unit also overtook the previous activities for the Greek market. Lead partners stimulated the sales nets' operations and establishment.

A merger transforms the company to an 'International Among Others'. The merger of the export unit with another specialised firm in the paper trading business in May 1999 creates strategic changes where the focal firm enters into a network era. The firm is no longer functioning so independently, but is now embedded into a more structured business network. The merger of the export unit (Seller 1a) with a competitor in sales and marketing and distribution (Seller 1b) took place as a result of negotiations and goals concentrating on the advantages of synergy. Two interconnected groups (Group FI and Group INT) were born due to the ownership configurations. One group is clearly a domestic-based service, production and wholesale group, where the other is an international set of trading companies.

The aim of the merger was to *"reinforce the position both companies have acquired in Northern and Central Europe and the Baltic and Russian areas. Until now the Seller 1b has been purely a worldwide paper and board trading company. In the new combined operations, Seller 1b will be enhanced by Group FI's know-how and Seller 1a's production. Through the Group INT, Seller 1b (merged) has well-established and functional access to European paper converters-sheeting, rewinding, job lot business and trading- and comprehensive contacts on the North American market* *too. Seller 1a on the other hand has a strong foothold on the domestic market."*(Internal announcement 30.4.99)

Both trading companies merged into one. Seller 1a was integrated into Group INT's respective unit. Integration of activities and offices was carried out. The new group, in which Seller 1b became embedded at this point, was divided into geographical units. Its involvement with international business and exports was skyrocketing through the new structure. This merger had a radical impact on the original Seller's level of internationalisation. From a domestic-oriented business environment, Seller 1b transformed itself into a member of a highly international group.

The reorganisation of activities and structure consumed time and effort and created a domino effect of changes on a small scale due to overlap. Seller 1a transferred four persons to the merger company and Seller 1b had a staff of 13 people. Seller 1b's budgeted sales for the year 1999 were 215 million FIM. The supply and customer basis expanded: *"The raw material suppliers and customers of Seller 1b are the paper and board producers in Finland, Scandinavia, Russia and the Balticum, as well as other Central European producers, from which the paper comes mainly through other Group INT companies, but also directly. Seller 1b has contacts with sources outside of Europe too. The company already has an active marketing and sales organisation."*(Internal announcement 30.4.1999)

The company developed a system for e-commerce, it became part of *a "Web-based international"* that did not have a traditional location. Radical innovation in sales and distribution systems through e-commerce was tailor-made to the firm and applied. The system offered new value adding solutions to customers. The development of the purchasing channel through e-commerce was a major Pilot-project receiving valuable resources in 2000-2001. Seller 1b was directly connected to the emerging Dutch-based firm, which carried out a part of its activities in Finland. This activity, however, did not match the Greek system of purchasing and it was not used by those customers.

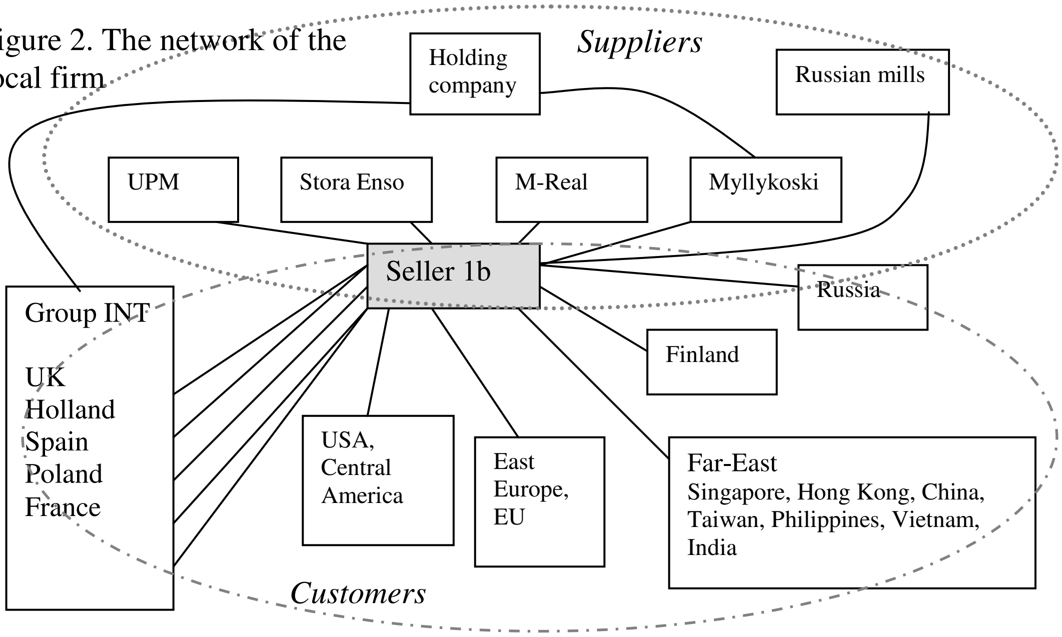
The new group structure evolved from a vertical supplier-distributor network towards a horizontal structure and the development of a 'hollow' organisation. Seller 1b had a defined position as a supplier of stock lot paper reels. Other parts of Group INT had other positions. This post-merger evolution resulted in two inter-connected, but not very interdependent groups of companies. Both groups were complex, partially overlapping business nets co-existing, competing and even cooperating according to specific activities. In 2002 changes in the ownership configurations took place and the ownership connection to Group FI was altered. Group FI gave up its share in Seller 1b and sold it to Group INT, which was also strongly involved in the paper business. The owner behind, Major Group INT, did not have a direct impact on Seller 1b's Finnish-Greek trade on a trading level since it had its own structure in related markets. Seller 1b's activities were mainly complementary.

Both groups continued activities independently, despite that Seller 1b had a partially interconnected structure with the previous group for some time, particularly in managerial and social networks. The firms may occasionally cross-utilise the resource base (machinery, facilities, etc), although the new investments in converting machinery are reducing the previous level of interdependency. Some deals are shared to cover customer needs and to solve transportation problems.

Greek activities experienced a decline after the merger mainly due to changes in the opportunity structure, such as a limited possibility to serve the customers' regular needs and emerging competing suppliers in the Greek markets. Also the trend of the large paper mills re-establishing direct sales offices reduced the need of the customers to have alternative suppliers. An economic downturn in the printing business in Greece and stock exchange problems reduced the local demand, since fluctuations affect the customers.

In the end of the research period, the company has become a part of a network so densely that it is difficult to define which part of an activity belongs to which company in the business network, it has become an "*International System*". In 2004 the focal company, Seller 1b, participated in three international networks. Both Groups FI and INT are involved through their subsidiaries in numerous specified business networks, also in strategic alliances and distribution networks. Seller 1b is itself a highly internationalised entity doing business mostly in foreign markets having international personnel, extensive international knowledge and experience. Its managers have world-wide personal and managerial networks, both in supply and sales. The geographical position of the firm is no longer connected to the local nature of the business. The firm needed a practical position that could accumulate resources, which are needed to better serve international customers. The same aspects seem to be equally valid for the strategy of other subsidiaries of Group INT.

Figure 2. The network of the focal firm



The international network of the focal company and its role

The focal company is internationally connected and the activities in the Greek market area are intertwined with those of other market areas. The network mapping for the focal firm in 2003, including its global supply and customer connections has a very international character, see Figure 2.

Geographically Europe represents the most significant market area for the focal firm, but the significance of Asian countries is increasing. The role of Poland is emerging and France is gaining importance in the new millennium. Seller 1b penetrated markets in Eastern Europe and the Baltic countries and attempts to exploit their potential. The sales represent output, but the input of the firm is international as well; not all suppliers are Finnish companies. The focal paper trading and converting firm has developed at a satisfactory level also in economic terms. Greek sales have been part of the overall growth process.

Enabling and inhibiting critical events

During the internationalisation process of the focal firm, critical events occur on several levels: the product level, the activity level, the relationship level, and the firm and business network level.

Whereas critical macroeconomic events have a wider impact and are often distributed across various actors, the micro-levels occur in a more limited arena. Many of the critical events had a domino effect or accumulated slowly within the focal firm's internationalisation process. The positive critical events had an 'enabling' character, which assists or stimulates a certain process or activity. The negative critical events had an inhibiting character, which hinders or creates difficulties for a certain process or activity.

Interconnectedness and dependencies influenced the nature of critical events, they formed the platform for and set the degree of impact of the critical events on the firm. Network effects have been discussed in industrial network-related literature. Network effect (see Ritter 2000, p.320-322) constitutes also a form of a critical event, which implies that there exist critical events that are planned and managed by those who originate it. The concept critical event has two other dimensions that have been hardly discussed in management literature and theory: 'surprises', which are unexpected critical events and critical events that are critical because they did not take place although they should have.

The critical event concept as a research method acquires careful selection of the limitations and the focus. It can be misleading if critical events are not organised in some categories, since their nature and origin may vary remarkably. In this paper critical events are categorised first into two main categories according to their appearance, endogenous and exogenous. Secondly, they are analysed in accordance to the degree of perceivability and serendipity to identify those critical events that have influenced the focal firm's internationalisation process and which have been unexpected and to some extent impossible to perceive or to sense.

It must be noted, however, that it is not possible to draw conclusions on the interconnectedness of particular activities in the internationalisation processes in a thorough manner. This is the case, although the data indicates that the network effects have notably shaped the processes of development within individual firms in terms of initiation, development and the termination of international activities.

Unexpected critical events were generated by the termination of Finnpap and Finnboard organisation that created a domino-effect in sales re-structuring opening new opportunities. Also the strategic decisions related to the formation of three large forest industry groups could not be fully anticipated in terms of their outcomes that shaped the market again. The co-incidence that led to the cooperation between Partner GR and Agent was a significant triggering effect. The lack of a suitable local partner of the Partner GR was such an unrealised critical event that led to the active search for a new supply partner through Agent. The bankruptcy of the key buyer and the retrieval of Partner GR were critical events that were not foreseen, which shaped the development of the activities of the focal firm. The changes in supply base, the discontinuation of Russian newsprint, the lack of greaseproof paper supplier and the establishment of corporate sales offices by other paper manufacturers were other exogenous critical events for the focal company. Establishment of key customer relationships has lead to unexpected connections to other companies and prospects.

The criticality of an event depends on its contextual setting. The same event may be critical inhibiting an act when it does not appear as assumed or it may enable an act when it takes place. The event itself does not have to be particularly 'specific'; there are ordinary pieces of processes that turn into critical events due to contextual circumstances. If summarised, the critical events on dyad-level, company level and activity level were found to appear systematically in these elements of business:

- *Investing of suitable resources into exports*
- *Involvement of personal and managerial networks*
- *Finding suitable business partners and customers*
- *Successful first- and second-order processes*
- *Daily business operations and problem handling*
- *Product-, price- and logistic-related processes*
- *Modifications in supplier relationships or temporary variations*
- *Restructuring of organisation and adaptation*
- *Harmonising/adapting business patterns and increasing common understanding*
- *Perception of opportunities and strategic adaptations*
- *Management of network structure and activities*
- *Market management and the creation of balance*
- *Resource allocation*

Luck and timing form aspects that may create a critical event (correct timing means to be able to act at the right moment with the accurate decisions to create favourable future event trajectories). In network terms this means to be able to develop value-enhancing relationships with those actors who together are enabling value activities. The event may locate between 'not yet and nevermore' or pass them. Timing has its own flavour when having a network approach. One actor needs to be able to see what is going on and being able to relate to those actors that they can interact with in a profitable manner; in this study the case company has successfully explored opportunities. Situational and unplanned events might have a bearing on the international business development as well as more planned activities. Being able to grasp the opportunity when it arises, deals also with corporate internationalisation processes. The critical events and development processes are summarised on case company level and illustrated in Table 1.

Table 1. Development processes, network development and critical events of the focal case-company

Position/situation	**Time-span**	**Main activities**	**Critical events**
Domestic phase	1973 – 1980	Developing the domestic business network and position	Starting the business and getting connections that enabled gaining partner positions with domestic paper companies
The Late Starter position ("The Early Starter position" for domestic business expansion and exploration)	1980 – 1990	Expanding domestic activities, achieving more extended positions in those business nets and increasing integration, experimentation with exports	Accumulating connections (social and entrepreneurial networks) leading to new business relationships and increasing attractiveness of the company as a trading partner, personnel's experience and qualifications
De-internationalis-ation	Mid 1990's	Domestic activities is the strategic emphasis	Resources from experimentation and relationship building in international business invested in building domestic business
The Early starter position	Mid 1990's-1999	Establishing business relationships abroad, business network expansion abroad through agencies and representations	Import partner and connections trigger indirectly re-exploration and expansion in exports, establishment of export unit, establishment of sales office in Russia
International among others (also in parallel a "Web-based international")	1999 – 2002	Consolidation and integration, position in a group with a global sales network, strategic network building	Merger with another paper merchant (a born-global type of company), accelerated integration into a global network, accumulation of capabilities and resources, new types of constraints due to overlap
"An International System"-position	2002 – 2004	Global opportunity exploration and further integration on several levels of business (direct business,	Change in ownership, further integration within the group of companies, sales enabling IT-system, establishment and further integration of

		representations, and e-commerce) and several types of business (trading, converting, wholesale)	specialised foreign sales offices, born-global characteristics of the firm

Discussion and conclusions

A firm is embedded in its wider business network and environment; it is both influencing and being influenced. This is a core difference in the network approach: a firm operates according to its strategy and plans, but also adapts to and evolves with its business network and its environment.

Embeddedness is not an easily manageable aspect in business. Problems are created since a business actor may not automatically conceive the origin or channel of influence. There are multiple dimensions and channels of change and influence affecting a firm's autonomy in strategic decision making and its activities. In the case study some minor changes have accumulated and had a disproportionate impact on the internationalisation process. Halinen, Salmi and Havila (1999) provide an analytical framework for understanding the mechanisms and channels of change and influence in business networks.

The concept of event network is applied to insert a firm's development process into its context, interlinking it to the forces that have formed the process. This method of analysing events assists in understanding such topics as the finding of a foreign partner, reasons for why exports to certain markets collapse, why sales stagnate, etc.

Methodologically critical events and event network analysis is fruitful in complex development processes, but also very demanding. The focus and limitation need to be carefully clarified a priori for each research objective. The danger of assuming causality where serendipity has actually caused an effect is great. It also seems that many event networks and critical events in them are not only taking place parallel in time, but they may be intertwined. In retrospective research it becomes dangerous to use this type of method without adequate triangulation, since the knowledge of the outcome influence the flow studied: the most suitable is chosen and other leads are left without attention.

The network internationalisation model presented by Johanson and Mattsson (1988) illustrates dynamics and describes situations in internationalisation. Based on this case study there are situations or development phases that do not perfectly fit into the model. The model has an inherent outward view, which leaves the strategic importance of inward view "outside" of the four situations. Another type of situation has been generated since 1988 that has affected international business and that is e-commerce. This may run parallel to traditional business but offer a different dimension to the firm's activities and acts. The study implies that the order in which a firm goes through different situations is very context-dependent. Therefore it seems vague to assume a certain order in position shifting (cf. Chetty and Blankenburg-Holm 2000, p.89).

Managerial and theoretical implications

Managers should be able to "map" network opportunities in the relational landscape where they interact. They should be able to perceive the connectedness of the company to its business network and anticipate the threats and opportunities early enough. Changes such as introduction of e-commerce, merger and new representation in a new market represent changes that have manifold impacts. SME managers need to plan such "position-related" changes particularly carefully not to pass the opportunities opening or to misinterpret possible negative effects. SME companies' position is often related to a situation where larger players play the dominant tune. Therefore it needs creativity to find niches in the potential business landscape and create foothold in the market through investment and development of specific relationships. Being able to "read time" and "space" in the business is crucial. Event network approach highlights the importance of monitoring, controlling and managing events. Managers need to orchestrate their firm's activities and resources as well as its network partnerships and be aware of the results of that orchestration.

The network-process model of the internationalisation of the firm offers some possibilities to develop existing theoretical models and insights. Some final remarks:

1. Internationalisation is a process which is unfolding over time where events from different actors directly and indirectly affect the position of a company in its network time-space
2. The temporal dimension relates to specific events, sequences of events and creating trajectories of events that form the basis for understanding development and change of a company in its international development through network embeddedness

3. In business network terms we have also a spatial dimension of networks. These are often called "structures" or networks of actors as they emerge and come into being in reality. They are usually presented as connected lines and nodes forming networks of relationships at a specific point in time (e.g. fig. 1 & 2 in this paper). The 'spatial map' of a set of connected exchange relationships at one point in time is the outcome of former event trajectories, and probably exists also due to future expectations. Managing spatial maps in changing market situations requires careful examination on aspects such as where is the activity located due to the change.
4. Event networks (the temporal dimension) and networks of actors (the spatial dimension) always interact and form what we here denote "network-time-space" where the activities take place. These elements form key drivers for internationalisation and network positioning and change. Management should attempt to identify those critical events that can strategically impact the firm by interrupting or distorting the event network and anticipate them. The study implies that internationalisation should not be seen as a linear development process of consequent situations or phases, but rather as a part of the overall development of the firm's position and evolution.

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