

JYVÄSKYLÄ STUDIES IN BUSINESS AND ECONOMICS 23

Pasi Sajasalo

STRATEGIES IN TRANSITION

The Internationalization of Finnish Forest Industry Companies

Esitetään Jyväskylän yliopiston taloustieteiden tiedekunnan suostumuksella
julkisesti tarkastettavaksi yliopiston vanhassa juhlasalissa (S212)
helmikuun 22. päivänä 2003 kello 12.

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UNIVERSITY OF JYVÄSKYLÄ

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Publishing Unit, University Library of Jyväskylä

URN:ISBN 9513914232

ISBN 951-39-1423-2 (PDF)

ISBN 951-39-1312-0 (nid.)

ISSN 1457-1986

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Jyväskylä University Printing House, Jyväskylä 2003

ABSTRACT

Sajasalo, Pasi

Strategies in transition – the internationalization of Finnish forest industry companies

Jyväskylä, University of Jyväskylä 2003, 223 p.

(Jyväskylä Studies in Business and Economics, ISSN 1457-1986; 23)

ISBN 951-39-1423-2

Finnish Summary

Diss.

The aim of the dissertation is to advance our knowledge and understanding related to the internationalization processes of the Finnish forest industry companies by answering the following questions in which, it is considered, the internationalization of business activities plays an important role: *how has it been possible for a group of once small companies operating from a small and remote country to rise into such prominent positions within the forest industry internationally? And: by which means have the remaining companies come to be what they are today?* The thesis consists of three parts: 1) an introductory essay, laying down the frame of reference of the study, 2) three articles, each of which approaches the phenomenon studied from different viewpoint, and 3) discussion and reflection synthesizing the contributions of the three articles included in the dissertation.

The main arguments of the study are interrelated. It is argued that 1) due to internationalization processes multifaceted and complex nature it is necessary to approach the subject from multiple perspectives, and to utilize multiple levels of analysis to enable holistic representation and analysis of the phenomenon, and 2) due to its complex processual nature, internationalization is best approached by adopting a longitudinal research strategy to its analysis. Thus, the starting point of the study is discontent with much of the recent IB research with its ever-narrowing focus and static approaches.

The results of the dissertation highlight the importance of the mid-1990s as a watershed in the orientation of the Finnish forest industry firms international involvement strategy. Prior to the mid-1990s the process was characterized by small steps in order to accumulate experiential knowledge of international operations, later to be replaced by spectacular mergers and international acquisitions, resulting in the three remaining companies that have reached mature stage of internationalization with operations in dozens of countries.

Keywords: internationalization, process, strategy, forest industry companies, change, Finland

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ACKNOWLEDGEMENTS

For the past five years my thoughts have been occupied with what I have found to be a fascinating subject: the internationalization of the Finnish forest industry. Now that the project is drawing to an end, it is time to look back and give the well-deserved credit to those whose influence has made it all possible.

To begin with I would like to express my sincerest gratitude to the person whose influence was decisive in my becoming enrolled in the first place as a PhD student at the University of Jyväskylä. My supervisor, Professor Juha Näsi introduced me to the absorbing business of science and research, and has ever since facilitated my growth as a researcher by his undyingly supportive attitude. In the process of bringing together this dissertation he has supported me in more ways than I can imagine, but always given me freedom to find my own way. Yet, whenever I have needed guidance or help, he has been the first to offer them.

For the majority of my dissertation project the School of Business and Economics at the University of Jyväskylä has offered me an academic home with many academic siblings, interaction with whom has reflected in various positive ways on my dissertation project. Hence, I would like to thank all my colleagues at the School of Business and Economics for their interest in my work; especially the members of the immediate family of Corporate Strategies/Management and Organization: Doctor Anna-Maija Lämsä for her friendship over the years, and just being her delightful self – not to mention the insightful comments and constructive criticism on an earlier draft of the manuscript; Professors Markku Lahdenpää and Tuomo Takala for offering me the needed reinforcement of faith with their comments of the manuscript; Professor Taina Savolainen, Doctors Raili Moilanen, Asta Wahlgrén and Juhani Laine for setting an excellent example; and Oiva Eronen, Pinja Jaatinen and Minna Kallinen for spurring me on with my project on the home stretch.

I would further like to thank my former colleagues at the University of Jyväskylä, and current colleagues at the Tampere University of Technology, Doctors Marko Seppä and Johanna Kujala. Without our discussions dealing with the process from master's to doctorate, I might have chosen a different, even more painstaking route than the one I ended up taking. I also owe thanks to Doctor Jari Ojala for our numerous discussions regarding the wondrous workings of the Finnish forest industry that have been valuable in clarifying my own thinking. Furthermore I would like to express my special gratitude to my colleague, Doctor Juha-Antti Lamberg whose scholarly advice, insightful comments and a seminar he put together were extremely valuable in clarifying my thoughts and thus improving the quality of the manuscript.

Two other persons to whom I feel deeply indebted to, and whose input greatly improved the quality of the manuscript in the very final stages are the external examiners, Jan Jörgensen, Associate Professor of Strategy and Organization, and Kari Lilja, Professor of Organization and Management. I am grateful for your constructive comments and your genuine effort in helping to improve the overall value of my contribution. Moreover, I owe thanks to Bentley Mathias and Anthony Melville for their help in improving my output in English language and thus, hopefully, getting the message through.

Of the number of people whom I have come in contact with during my dissertation project I would especially like to thank Professor Michael D. Ensley for his lasting friendship and lending an ear for my research concerns whenever our paths have crossed. I would also like to thank Professor Grant T. Savage for his invaluable insights and eye-opening comments on the early and sketchy manuscript. Furthermore I would like to extend my thanks both to the organizers of the European Summer Research Institute, in particular Professor Peer Hull Kristensen, and to the tutors in the seminar, above all Professors Risto Tainio and Kari Lilja for their supportive and encouraging stance towards my, at that point, embryonic idea for a dissertation. The ten days in Danish summer proved to be a turning point for the dissertation process.

The project would not have been possible without the kind financial support of The Finnish Cultural Foundation, the Foundation for Economic Education, Jyväskylän kauppalaisseuran säätiön rahasto, and the research grant of FEMDI. Further, the projects I have been working in for the past two and a half years have received funding from the Ministry of Trade and Industry, the National Technology Agency (Tekes), and corporate sponsors; Metso Corporation, M-real, Stora Enso and UPM-Kymmene. The financial support of the above-mentioned sources is gratefully acknowledged.

Moreover I would like to extend my thanks to my parents, Raila and Paavo Sajasalo. You have always advised and encouraged me to study. Although it may have seemed so at times, your advice did not fall on deaf ears.

Last, but not least, I would like to thank my loved ones. The past five or so years have certainly not been easy on you, the last ten months in particular. You have been the ones to have to endure my research-related ups and downs, moodiness, and late nights at the computer. Johanna, you have been the one I have turned to in my times of doubt, and time and again you have restored my confidence. Elmeri and Emmi, although dad has been around he has not always been present, nevertheless, you have been the ones to help in maintaining my touch with reality. My heartfelt thanks to each and everyone of you.

Palokka, January 2003

Pasi Sajasalo

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PART I: INTRODUCTORY ESSAY

1 INTRODUCTION

In this dissertation I have set out to explore the internationalization development of the Finnish forest industry, and especially the internationalization of companies within it. *The overall aim of the dissertation is to provide a holistic representation and an analysis of the internationalization development of the Finnish forest industry, and in particular, the strategies followed by the individual forest industry companies in increasing their international involvement.* The thesis itself consists of three parts, the first of which is the current introductory essay. In this introductory essay issues such as the framing of the study within the wider field of organization and management research, questions of assumptions related to the philosophy of science of the dissertation as a whole, exploration of the phenomenon under study in general, and establishing its conceptual connections especially with concepts like strategy and change are dealt with. Also discussion related to choice of theoretical frame of reference to address the phenomenon studied, and methodological choices of the thesis will be covered. Further, some definitional issues related to the key concepts and constructs utilized in the thesis are addressed in the introductory essay. Furthermore, this introductory essay covers a short introduction and summary of the individual articles included in the dissertation.

The second part of the dissertation consists of three published articles, each with their own research tasks and goal settings, exploring the phenomenon under study from different viewpoints. In combination, the introductory essay and the three articles with their varying viewpoints attempt to provide a holistic picture of the internationalization development of Finnish forest industry companies and thus advance our knowledge of the processes involved. In the third part of the dissertation a synthesis and reflection on the findings and some of the suggested contributions of each of the articles is presented. In addition, in the third part of the dissertation a discussion of the limitations of the current research and implications for future research are presented.

There are numerous definitions to be found within the literature on the concept of internationalization of the firm (see e.g. Luostarinen, 1979; Welch & Luostarinen, 1988): the concept is far from unambiguous (Lehtinen & Penttinen, 1999). To provide just a few examples, consider the following:

[Internationalization is] the consequence of a series of incremental decisions. (Johanson & Wiedersheim-Paul, 1975)

[Internationalization is] a process in which the firms gradually increase their international involvement. (Johanson & Vahlne, 1977)

[Internationalization is] the process of making a market within the firm. (Rugman, 1981)

[Internationalization is] the process of increasing involvement in international operations. (Welch & Luostarinen, 1988)

[Internationalization is a process evolving] in an interplay between the development of knowledge about foreign markets and operations on one hand and an increasing commitment of resources to foreign markets on the other. (Johanson & Vahlne, 1990)

[Internationalization is] the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries. (Beamish, 1990)

[Internationalization is] the involvement of a business in international business activities. (Roth, 1990)

[Internationalization of a firm] can be conceived as the outcome of a series of strategic decisions concerning exports, contractual agreements and foreign direct investments. (Macharzina & Engelhard, 1991)

[Internationalization is] a concept of an action in which nationality is strongly in people's consciousness. It means the flow of business, goods, or capital from one country to another. (Sera, 1992)

[Internationalization is] an incremental, experiential learning process. (Andersson, Johanson & Vahlne, 1997)

[Internationalization is] the process of adapting exchange transaction modality to international markets. (Andersen, 1997)

[Internationalization is] a two-way process during which companies become increasingly involved in international activities. (Korhonen, 1999)

[Internationalization of a firm concerns] the relationships between the firm and its international environment, derives its origin from the development and utilization process of the personnel's cognitive and attitudinal readiness and is concretely manifested in the development and utilization process of different international activities, primarily inward, outward and cooperative operations. (Lehtinen & Penttinen, 1999)

As the examples above clearly show, most scholars would seem to be somewhat unanimous regarding the processual nature of the phenomenon. In the current case *the term internationalization is utilized as an umbrella term throughout this dissertation s introductory essay and the articles to cover the whole variety of cross-border activities* much in the same fashion as Dunning (1989, 415) does when stating: by internationalization I mean the totality of cross-border activities, be they production or trade in assets, goods or services; and be they within the same institution or between independent economic agents . This is an important point regarding the orientation of the dissertation: *I am not limiting my interest in the studied phenomenon to just one narrowly defined aspect of it*, which seems to be (regrettably) somewhat of a norm within the field of international business (e.g. Boddewyn, 1997; Kutschker & Bäurle, 1997).

The field is becoming progressively fragmented because of the tendency to focus on ever-narrower aspects and features of the complex phenomenon of internationalization. In his recent assessment of the field s current state Mark Casson (2000) concluded that international business theorizing has turned into a mature industry with more stability than innovation. For a more covering discussion elaborating the fragmentation point see for example Kutschker and Bäurle (1997), Macharzina and Engelhard (1991), Sullivan (1998b), or Toyne and Nigh (1997, 1998). A very fitting metaphor for the state of the field of international business – keeping in mind the current research setting – is provided by Sullivan (1998a, 838) in his analysis of the field s current status. He concludes: one could conjecture that IB s increasingly impeccable micro logic is creating macro nonsense [drawing a parallel between Van de Ven s (1989) assessment of the state of theory development in general management, and that in international business] by encouraging cognitive processes that precisely pinpoint the trees to the neglect of the forest. It is the intention of this dissertation to keep a keen eye on both the trees and the forest, and not to neglect either in the process.

The motivation for the study stems from the importance of the forest industry to Finland as well as the recent changes that have taken place within the industry both in Finland and worldwide. Regardless of the relatively recent changes in the status of the forest industry in the Finnish economy, it still plays an important role for Finland as a major export industry. This long-lived importance of the forest industry for the Finnish economy – and society at large – is, and will most likely remain, an important feature of the Finnish economy in the future as well. The past two decades have presented major challenges for the Finnish forest industry companies, and the developments that have taken place within the boundaries of Finland during that time have been quite well documented from varying viewpoints. Thus, it may be stated that both the past developments and projected future developments within the industry have provoked scholarly interest in different fields of science, and that the forest

industry in all its aspects to social life has been an important target of Finnish scientific interest. For the wide range of scientific interest in the industry, and thus the vast body of research reports available generated by various scholars, I have chosen here to limit myself in the following to presenting some recent examples of studies conducted within the field of business studies.

Examples of studies exploring various developments within the Finnish forest industry include Lilja (1989) and Penn, Lilja and Scattergood (1991) studies exploring organizational learning and employment patterns at the mill-level, a level of analysis which may be considered to be exploring sub-firm-level phenomena internal to the organization. Laurila's studies (1992, 1993, 1995a, 1995b, 1997, 1998, 2000) may be seen to continue much in the same tradition as the earlier works of Lilja in that the focus of examination is mainly on the sub-firm-level phenomena internal to the organization, in particular, the management of forest industry companies. Further, the study of Laurila and Lilja (2001) is another example of the intra-firm analyses. Laurila and Lilja take a closer look at the relationship between firm-level competitive pressures and functional-level institutional pressures and find that when strategic repositioning is required, firm-level competitive concerns dominate over functional-level institutional pressures. Another example of studies concentrating on the internal development of forest industry companies is the study by Rohweder (1993) exploring the product development processes and product reorientation decisions within the Finnish forest industry.

In addition to the aforementioned studies which predominantly concentrate on the analysis of the inner context of the organization, examples of analyses addressing the development of the industry at a less detailed level of analysis in the outer context of organizations include studies by Räsänen (1989), Lilja, Räsänen and Tainio (1991, 1992), and Lilja and Tainio (1996) which portray Finnish forest industry companies as part of a larger whole, the forest sector which is portrayed as the dominant actor within the Finnish business system. Furthermore, the above-mentioned studies reconstruct a business recipe followed over the years by the successful members of the Finnish forest sector. Other studies taking a pronouncedly sectoral view of the development of the industry include studies by Seppälä, Kuuluvainen and Seppälä (1980), Sierilä and Tuominen (1991a, 1991b), and Seppälä (2000) that explore the future scenarios of the Finnish forest sector, as well as a study by Sierilä (1991), investigating corporate planning and strategies of the Finnish forest industry companies as a sector-level phenomenon. Further examples of pronouncedly future-oriented studies with wide-ranging implications are the study by Meristö, Kettunen and Hagström-Näsi (2000), and that of Diesen (1998).

The firm-level development of the Finnish forest industry from which sectoral conclusions are inferred is at the focal point of analysis from a comparative perspective in studies by Räsänen and Whipp (1992), Huolman

and Räsänen (1993), and Jørgensen and Lilja (1994), as well as in the stream of analyses produced by Artto (see e.g. 1985, 1987, 1990, 1991, 1993, 1994, 1995a, 1995b) addressing the performance and competitiveness of forest industry companies in various countries (Finland, Sweden, Canada, the USA) from a financial perspective. The tradition set by Artto's early works is further carried on in Artto and Juurmaa (1999) which analyzes the competitiveness of forest industry companies in the 1990s. Further examples of the sectoral, or more precisely, the cluster study tradition inspired by Porter (1990) include studies by Lammi (1994, 2000), Ojainmaa (1994), Hernesniemi, Lammi and Ylä-Anttila (1995), Hazley (2000), and Hyvärinen (2000) addressing the success of the Finnish forest industry in the world market from the cluster perspective, and thus exploring the foundations of the competitive advantage possessed by Finnish forest industry companies.

Taking a firm-level viewpoint towards an industry-level concentration process Näsi, Ranta and Sajasalo (1998) and Näsi, Sajasalo & Sierilä (2001) present an overall picture of the dynamics of the developments taking place within the Finnish forest industry through an analysis of the major companies. Another, different, firm-level viewpoint on the development of forest industry is taken by Alajoutsijärvi (1993, 1996) by including in the analysis a dyadic buyer-seller relationship between a forest industry company and its major technology supplier. The development of this relationship is studied over an extended period of time. Examples of extended relationship approach utilizing a network perspective on the firm (network) level include the study of Rosenbröijer (1998) analyzing the development of business networks in the distribution of fine paper in the UK. Further firm-level examples of analyses touching upon the Finnish forest industry include studies by Huolman (1992, 1995) examining the growth strategies, and especially the role of diversification as a means of growth for the largest Finnish firms, among which forest industry companies number.

Another example of a study analyzing the development processes of a forest industry company as an interpretative case (see Pettigrew, 1990) in an attempt to illuminate the development processes of business strategy at the early stages of international involvement of the company is the study by Saarikorpi (1986). An example of firm-level studies that take a pronouncedly financial point of view towards the development of the companies within the forest industry is the study by Kärri (1998) analyzing whether the major mergers within the Finnish forest industry in the late 1990s produced any economies of scale or not. Yet another recent line of inquiry into the Finnish forest industry needs to be mentioned. Reflecting the recent growing interest in business ethics among management scholars, Poesche's studies (1995a, 1995b, 1996, 1997) are mostly concerned with the phenomenon in the context of the Finnish forest industry. Closely related to the studies approaching the industry

from an ethical perspective are a number of studies addressing the environmental issues related to forest industry. Examples of such studies include studies by Halme (1995, 1996, 1997, 2002), Halme and Huse (1997), Karvonen (2000), Lahti-Nuuttila (2000), and Lundan (1996). Another example of studies combining both the environmental considerations and ethical or moral perspective is the study by Rytteri (2002) exploring the formation of Enso-Gutzeit's social and environmental responsibility ideology. In addition to the scholarly works mentioned above there are also useful first-hand accounts provided by long-standing practitioners in the industry, one of these being the memoirs of Niilo Hakkarainen (1993), the former CEO of United Paper Mills.

In addition to the studies in the field of business mentioned above, a number of business histories exploring the development of Finnish forest industry companies have been produced. Each of the remaining Finnish forest industry companies predecessor have been the subject of a business historical account at some point in their existence. The historical development of Enso-Gutzeit, Stora Enso's predecessor, has been covered by Ahvenainen (1992), the development of UMP-Kymmene's predecessors Kymi by Hoving (1947, 1949) and Ahvenainen (1972), and United Paper Mills by Nordberg (1980, 1991, 1998). The development of M-real's predecessor Metsä-Serla has been recorded by Tuuri (1996), and from a technology strategic viewpoint by Kettunen (2002). Furthermore, the development of M-real's strong background organization, the Finnish forest owners cooperative Metsäliitto has been analyzed by Zetterberg (1983). As is evident from the years of publication of the business histories above, they are of less use in the current case but nevertheless provide some important background information regarding the development paths of the individual companies, and additional understanding about the formation processes of the companies that currently remain by putting the processes in their wider historical context. Some more recent studies utilizing a long historical perspective and combine this with a pronouncedly strategic viewpoint are the studies by Lamberg (2001a, 2001b) analyzing the development of Enso-Gutzeit and the Metsäliitto Group, and studies by Ojala (2001a, 2001b) analyzing the development of United Paper Mills and Kymi/Kymmene, and Sajasalo, Ojala and Lamberg (2001) analyzing the overall development paths of the remaining Finnish forest industry companies throughout the whole of the 20th century.

Although analysis of development of the Finnish forest industry companies, mainly in Finland and by Finnish scholars, is relatively comprehensive, there is still an area within the study of the industry, however, that remains comparatively scarcely studied. *The internationalization development of the industry and the companies within it has not received the explicit attention deserved.* This is not to say that the internationalization development of the companies concerned has been disregarded altogether, it just has not typically

been the explicit focus of analysis, but instead, internationalization development of these companies has been referred to in connection to other more pressing analytical interests as a phenomenon of lesser interest merely occurring as a result of business activity. Treating the internationalization of forest industry companies – most likely unintentionally – in this manner, however, plays down the strategic importance and the wide-ranging implications of the process for the companies involved. Internationalization, if anything, is a process of a profound strategic nature and thus should be explicitly treated as such.

Of the few studies explicitly concerned with the internationalization development of the Finnish forest industry, those by Raumolin (1988, 1990) need to be noted. Raumolin approaches the phenomenon from a regional development viewpoint and points out that the internationalization development of the Finnish forest industry in production terms was gaining momentum from the mid-1980s to the late 1980s where his analysis comes to an end. The same phenomenon was found to be true for Finnish manufacturing firms by Heum and Ylä-Anttila (1993) in their aggregate-level analysis on the internationalization of the thirty largest Finnish manufacturing firms. Another study taking a closer look at both the diversification and internationalization of Finnish forest industry companies up to late 1980s as a part of their growth strategy is one by Huolman (1992), in which he compares the development among the Finnish and Swedish forest industry companies. A more recent contribution with a more historically oriented approach is a study by Heikkinen, Lamberg and Ojala (2001) exploring the internationalization of the industry since the late 19th century. Another recent contribution analyzing the internationalization of Finnish forest industry companies, in particular of Stora Enso and UPM-Kymmene in an international comparative setting, is the study of Moen and Lilja (2001) taking Norske Skog as the counterpart. Also the study by Saarikorpi (1986) mentioned above takes a closer look at the internationalization of a specialty product subsidiary of United Paper Mills.

Hence, although there are some studies to be found that explore the internationalization development of Finnish forest industry companies, there remains a gap in the analysis of the same: *most analyses touching upon the process do not cover the more recent developments and strategies followed by the major Finnish forest industry companies.* This state of affairs is seen as a major shortage from the perspective of the current study because as Raumolin (1988, 1990), Heum and Ylä-Anttila (1993), Sierilä and Tuominen (1991a), Ojainmaa (1994), Häggblom (1999), and Kettunen (1999) among others have recently pointed out, the Finnish forest industry companies have not only speeded up their internationalization, and radically changed their preferences regarding the modes of international involvement, but are also facing new competitive and regulatory settings on a global scale. For a recent review of various

international conventions and organizations regulating the use of forest resources see for example Granholm (1999). Thus, it is no exaggeration to state that the 1990s form a watershed in many respects for the Finnish forest industry, making the internationalization development paths and patterns of the companies worthy of study. In effect, the current dissertation is an attempt to remedy the shortages in the extant literature discussed above by covering the more recent internationalization developments of the Finnish forest industry companies, and as a result of the firm-level treatment, the internationalization development of the industry towards the end of the millennium.

Addressing the multifaceted and complex phenomenon of internationalization from different viewpoints and frames of reference, as is done in this dissertation, provides better opportunities to form an understanding of the phenomenon, the varying forces in play within the process, and their influences on it. This also supports the attainment of the overall aim of the dissertation: to provide a holistic representation and an analysis of the internationalization development of the Finnish forest industry, and in particular, the strategies followed in this by the individual forest industry companies. Not only does the use of different viewpoints provide a more solid base for developing understanding in relation to the process of internationalization, but the use of varied viewpoints to address the process and analyze it further provide the possibility of triangulation (e.g. Jick, 1979; McGrath, 1982; Denzin, 1978, 1989) of the findings and interpretations made.

1.1 The scope of the study

When utilizing the term Finnish forest industry as a general term as is done here, it is necessary to provide some definitions regarding the entity under study in this dissertation, and to clarify its boundaries. Traditionally the *forest industry is divided into two main streams* of productive activity both for practical and analytical purposes regarding the technology in use for the processing of the raw material. The whole of the forest products industry is made up, first, of the pulp and paper industry producing both mechanical and chemical pulp in addition to a wide range of various grades of papers and paperboards with variety of uses. Second, it comprises the woodworking industry producing sawn timber, wood-based panels, and a variety of further processed goods, such as doors, window frames, parquet flooring, building components, and prefabricated panels for building and furniture manufacture. The two main streams of forest products industry are also referred to respectively as the *chemical forest industry* and the *mechanical forest industry*. It is the internationalization development within the chemical forest industry which is of particular interest in the dissertation at hand.

Further, although the dissertation deals with internationalization within the Finnish pulp and paper industry, that is to say, the Finnish chemical forest industry, the internationalization of the pulp industry in itself is of lesser interest for the current purposes. This is because there is hardly any internationalization development to talk about within the Finnish pulp industry that would be separable from the internationalization development of the paper industry. The production of pulp and paper is typically highly integrated (Hagström-Näsi, 1999, 88-89) and thus if internationalization within the pulp industry is to be found, it is almost without exception closely tied to the production of paper. Hence the focus of this dissertation is mainly on the internationalization development of the major Finnish forest industry companies paper business operations as a whole. Figure 1 illustrates the industry setting and the target industry, the development of which, and the companies within which, are analyzed in the thesis.



FIGURE 1 Paper industry within the forest products industry and the companies analyzed

1.2 Brief overview of the articles

In order to provide the reader a foretaste of what awaits in the second part of the dissertation, and to provide some background for the following discussion

related to the philosophical, methodological and overall process orientation of the study, a brief overview of the articles is presented here.

The first article included in the dissertation, following the order of presentation of the second part of the thesis, *Internationalization of a Key Industry – Implications for a Business and Society Relationship s Development – Case Finland*, is an attempt at analyzing the development of business and society relationship between the Finnish forest industry and Finnish society. A special emphasis is put on the impacts of internationalization development of the industry on the development of the business and society relationship. Thus the article is more about the evolution of the business and society relationship than it is about internationalization of the Finnish forest industry *per se*. Evolution, in the sense it is used here, does not refer to a deterministic or predetermined development of an entity with clear-cut start and endpoints, but rather to a more complex dialectic process with a number of varying forces in action collectively molding the outcome of the process.

The article draws its theoretical background ideas related to the development of business and society relationship from multiple research streams touching on the issue, and thus assisting in its analysis. The treatment and analysis of the evolution of the business and society relationship is built on the lines of thought found within the business systems literature, and related new institutional economics, as well as in very limited ways on some ideas presented in the governance literature. By drawing ideas from the above-mentioned sources *the article describes and analyzes some of the diverse relationships between Finnish society and a key industry*. The internationalization of the companies within the industry, and of the industry as a whole is established as the central background factor against which the evolution of the business and society relationship is examined. The whole issue of the business and society relationship is treated innately relational: the former cannot exist without the latter, and especially in the case of the Finnish forest industry and Finnish society, drawing a line and stating where one ends and the other begins is hard due to the numerous close relationships between the industry and society.

There are several relationships identified in the article which are seen to affect the initial formation, the nature of the business and society relationship, and its subsequent evolution. The central relationships whose evolution over time is analyzed are those between the industry and the Finnish economy (or society at large), the industry and the state, the industry and the banking system, the industry and the private forest owners, and the inter-company cooperative relationships within the industry. The article isolates as the single most important relationship between the various entities the combined relationship between the state, the industry, and the private forest owners, referred to as the trinity. The article further presents a discussion of the implications of the forest industry s internationalization for the future of the

trinity, and presents some of the likely changes affecting the balance of the constituent members of the trinity.

The second article included in the dissertation titled *Effects of Substantial Operating Environment Changes on Mode of International Operations*, paints a mosaic-like picture detailing the landscape of changing operating environment of the Finnish forest industry companies. *The article presents some of the central discernible changes at various levels of analysis: at the world economy (global) level, at the national economy level, at the industry level, and at the firm level, and relates the changes at these different levels of observation to the observed change in the mode of international operations of the Finnish forest industry firms.*

At the global level the article approaches the subject of change from a regional perspective and sketches out some of the central world economy-level forces impacting the industry's operating environment, such as increasing competition from emerging forest industry regions. The treatment of the issue both at the global level and at the national economy level is marked by economic considerations. At the national economy level the article describes and analyzes the changing status and relative importance of the forest industry for the export-dependent national economy of Finland from being the dominant actor to one among others, and some of the implications this change in relative importance has brought with it. Analysis at the industry level lays out the change process in more detail than the preceding analysis in the article at either the global or national level, and examines the growth of the companies, the concentration of the industry, the intensified pursuit of cost efficiency, and a prompt move towards a production structure of higher value-added as some of the central strategic responses of the companies to the changes in the global forest industry scene. The article further picks out one central change at the firm level with profound implications for the internationality affecting the forest industry firms from within: the change in the ownership structure of the forest industry companies from sphere-controlled companies with just one or a few main owner groups holding a dominant interest, to companies with wide-spread and dispersed ownership characteristic of a modern market economy.

After having laid out the changing operating environment of the Finnish forest industry at different levels, the attention of the article shifts to presenting and analyzing an actual process of change in the international business engagement strategy of the Finnish forest industry companies. The central strategic change that is described in more detail and interpreted is the changeover from joint marketing practices to company controlled modes of operation as the means of engagement in international business. This change process is addressed by utilizing the internationalization process models as a background idea against which the development within the Finnish forest industry is reflected. The article presents the rise and eventual fall of the joint

marketing practices of the industry, and an analysis of some of the central forces in action in the process leading to the accelerated erosion of the joint marketing practices from the late 1980s onwards, and finally to the switchover to wholly-owned marketing organizations in the mid-1990s.

The third article of the dissertation, *Change in the Extent and Form of Internationalization – The Finnish Forest Industry from the mid-1980s to 2000*, takes up the task of exploring the internationalization development at the level of analysis of the individual forest industry companies, and of examining the various ways in which the internationalization process has manifested itself in the strategic conduct of the companies in the outer context of the organizations. *The article takes a pronouncedly strategic viewpoint on the phenomenon of internationalization*, and on the methods used in the process by the major remaining Finnish forest industry companies. The longitudinal analysis of the strategic processes utilizes a dynamic viewpoint and presents a novel analytical framework, which gives structure to the analysis of the internationalization processes studied, and enables comparisons between the company-specific processes. The examination of the phenomenon in the article is guided by a game metaphor: the strategic action of the individual companies is interpreted as game-playing activity characterized by moves, rivalry and struggle. The article presents further an analysis of the geographic expansion of the companies marketing and production operations. Thus, it pays closer attention to the modes of international involvement requiring foreign direct investment as part of the overall analysis exploring the extent of the internationalization of these companies.

By utilizing the game-playing perspective on the internationalization processes of the Finnish forest industry companies the article presents an analysis of the development by classifying each move of each company performed on a three-layered analytical framework to make the realized strategies followed by the individual companies more visible. However, prior to applying the analytical framework, the article produces an overview of the major events in the internationalization processes of the major Finnish forest industry companies – Enso, Kymmene, Metsä-Serla, and United Paper Mills – with a special emphasis on the development of manufacturing operations.

The article makes a distinction in the strategic behavior of the Finnish forest industry companies related to growth and internationalization prior to and after the mid-1990s and presents the mid-1990s as a watershed in the strategies of engagement in international business. Overall, the article makes a distinction between three distinctive phases in the overall internationalization process of the Finnish forest industry companies. The article concludes with a discussion of the relative merits of the game-playing perspective for the study of internationalization processes.

1.3 Levels of analysis

As may have become apparent from the preceding discussion, the analysis of the development studied takes place on more than one level in this thesis. Not only is the internationalization development analyzed at the level of the individual companies, the firm level, but the analysis extends also to the aggregate industry level, where some inferences based on firm level analysis are made. In addition to the firm and industry levels of analysis, the internationalization development is addressed and analyzed as an institutional-level phenomenon as well. Furthermore, the internationalization development within the forest industry – it being one of the major industries in Finland – is seen as a phenomenon with an impact on the whole society. Thus, the analysis touches on some effects of the major industry's internationalization development at the societal level as well. These different levels of analysis are present to various degrees in the articles making up the second part of the thesis.

By the use of different analytical levels, and thus levels of abstraction, what is sought after, is a more comprehensive and all-embracing treatment of the complex phenomenon to facilitate a more thorough analysis and to gain a more solid ground for interpretations of the development, and thus for understanding it. The use of different viewpoints on the phenomenon studied exposes different sides of the phenomenon, and thus helps to avoid paying one-sidedly attention to only certain aspects of the total picture, while virtually ignoring all others. This is important in order to achieve the sought after holistic representation and analysis of the internationalization development processes of the Finnish forest industry companies under examination. The levels of analysis utilized in the dissertation, and the links of the individual articles to the various levels of analysis discussed above are portrayed in Figure 2.

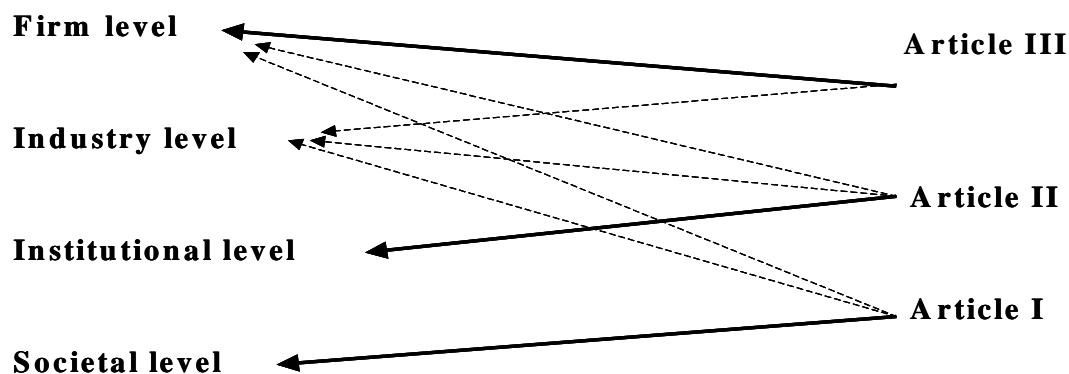


FIGURE 2 Levels of analysis of the articles in the dissertation

The thicker lines of the arrows in Figure 2 signify the primary level of analysis of the given article while the dotted lines implicate secondary levels of analysis employed in the article. A note related to the actual temporal order of the articles in the second part of the dissertation is in order. Suffice it to say at this point that although the Roman numerals utilized in Figure 2 might imply a succession in the articles from first to third in this particular order, the articles have been arranged in such an order for reasons of clarity of representation: from the more general to the more specific. In reality the succession of the articles is as follows: article II (Effects of Substantial Operating Environment Changes on Mode of International Operations), article I (Internationalization of a Key Industry: Implications for a Business and Society Relationship Development – Case Finland), and article III (Change in the Extent and Form of Internationalization – The Finnish Forest Industry from the Mid-1980s to 2000). This point will be discussed in more detail in the third part of the dissertation.

As the careful reader will readily notice, and possibly point out, there is one obvious level of analysis missing in the scheme presented in Figure 2: nowhere is there a trace of the next logical level of analysis in ascending detail, the individual level. This is because – this point and choice will be discussed and argued for in more detail below – the primary unit of analysis of the current dissertation is the organization and its observable behavior in its outer context. At this point suffice it to say that *the individuals behind the observable organizational behavior are outside the scope of the study*, not least for reasons of the data utilized (the lack of individual level data), but also because phenomena at the individual level related to the concentration process in the Finnish forest industry have been recently covered in some detail elsewhere (see e.g. Näsi, Sajasalo & Sierilä, 2001; Näsi, Ranta & Sajasalo, 1998).

The levels of analysis employed in the current thesis resemble those suggested by Toyne & Nigh (1997, 1998) in their proposed expansive view of international business, as does the reasoning for choosing the levels of analysis employed. Toyne and Nigh (ibid.) conclude that an expansive view would be better suited to treating the complex and multifaceted phenomena that are the target of international business inquiry, and suggest that the levels at which international business phenomena could (should) be studied are the suprasocietal, societal (or nation-state), industry, firm, group, and individual levels. They present the levels of analysis as a hierarchy in which the levels should meet with the following criteria: 1) phenomena at each level must be capable of being seen or sensed, 2) phenomena at lower levels must constitute intrinsic properties of contiguous upper level phenomena, 3) interactions between phenomena at contiguous levels must establish the initiating or boundary conditions; initiating conditions being lower level constraints giving rise to focal-level processes and outcomes, boundary conditions being higher level constraints regulating focal-level processes and

outcomes, and 4) phenomena at the different levels must serve different functions.

As the preceding discussion shows, *interpretation of the various, discernible development processes over time is one of the key elements of the current dissertation*: it is the unifying theme in the three articles included in the thesis. As the above statement bears with it some important implications related to assumptions about the philosophy of science and the nature of the social world, these assumptions should be made clear from the start. Thus, in what follows the central assumptions of this thesis in relation to ontology, epistemology, human nature, and methodology are discussed.

2 PHILOSOPHICAL AND METHODOLOGICAL SETTING

2.1 Assumptions related to the philosophy of science

It is generally recognized and currently accepted that all social scientists – or scientists in general – approach their subject via explicit or implicit assumptions about the nature of the social world and the way in which it may be investigated. In this section I try to clarify my assumptions related to ontology, epistemology, human nature, and methodology subscribed to in this dissertation. As the centrality given above to interpretation in making sense of the development under study would suggest, *in this thesis an interpretative and somewhat relativistic stance* (Burrell & Morgan, 1979, 3-4) *has been adopted*. Thus, in ontological terms, the thesis adopts more of a nominalist than a realist slant in its treatment of the social world around us. It is worth explicating, however, that in this thesis the most extreme views of nominalism – in which the social world external to individual cognition is treated as being nothing more than artificially created names, concepts and labels used to describe, structure, negotiate, and make sense of the external world without any real structure (Burrell & Morgan, 1979, 4) – are not subscribed to. Instead, a slightly more conservative stance related to reality, one socially constructed as a result of constant interaction of human beings is adopted as the ontological starting point (e.g. Berger & Luckmann, 1966) of the dissertation. Thus, *reality is not seen as something purely objective or external to the perceiver that can be apprehended correctly or incorrectly* (Chaffee, 1985).

From an epistemological point of view, again based on Burrell and Morgan's (1979) thinking and terminology, the current thesis should be placed in the middle ground of their anti-positivism – positivism dichotomy. This suggestion of placing the current thesis in the epistemological middle ground reflects the basic way of thinking applied in this thesis. Rather than viewing the

epistemological choice inherently as an either/or choice, it is felt that it can be more fruitfully regarded as a both/and choice instead. In the current dissertation's case, the above question, and the typically presented choice between one or the other of the extremes is treated somewhat differently, more as a continuum. Thus, the epistemological choice may be seen as reflecting features derived from both of the opposing views, as a mixture of them.

The overall anti-positivist slant of the current thesis is most clearly displayed in its overall aims. The aims are not related to seeking generalizable explanations or to creating universally valid models with predictive power by searching for law-like regularities of the studied phenomenon and its constituent elements through causal relationships. Instead, the aims of the current dissertation are to do with adding understanding of the processes under study. This view is consistent with the line of thinking within the humanistic tradition of science. Basically the epistemological viewpoint adopted in this dissertation is consistent with the idea presented by von Wright (1971): it is nature that we may explain, whereas human beings and their actions we can only understand. In addition, the whole idea of a search for law-like explanation of connections between phenomena of a basically social nature is seriously questioned in this dissertation.

However, the viewpoint chosen to approach the phenomenon studied in this dissertation – that of an external observer – would suggest some association with the positivistic stance. The viewpoint chosen is also to some extent in contrast with the anti-positivistic assumption of relativity, and especially the view held by the anti-positivists that the social world may only be understood from the point of view of those involved first-hand in the activities studied. According to Burrell and Morgan (1979, 5) the anti-positivists further maintain that only by becoming a participant in the activity of interest it is possible to gain understanding of it. Hence, the anti-positivists' contention is that in order to understand a particular activity or phenomenon, it is essential to occupy the frame of reference of those involved in it.

This view is not altogether accepted in this dissertation. Instead, it is maintained that by adopting the external observer's viewpoint on the studied phenomenon of internationalization development of the Finnish forest industry companies, and thus by observing the organizational decision-making-resultant manifestations of it in its outer context, instead of the decision-making in its inner context, the aim of creating extensive understanding of the process and its various linkages in the organizations' environment are better realized by the use of an external observer's viewpoint than any other. The terms outer context and inner context are utilized here in the same sense as Pettigrew (1985a, 1985b, 1985c, 1987, 1990, 1997) uses the terms to distinguish between an organization's interrelated environments within and outside the organization, and the different forces in operation having an effect on processes of change.

In relation to understanding an activity or phenomenon, it is maintained that it is possible to gain understanding of even complex phenomena like internationalization processes by retrospective analysis without being directly involved in them. Further, in line with the previous argument, it is maintained that it is possible to arrive at a synthesis of the development without personally having been a part of it. Furthermore, even though the viewpoint adopted in this thesis to address the phenomenon under consideration is that of an external observer, it is not, however, implied that through the adoption of the external observer's viewpoint the knowledge created is objective and value-free – the ideals of positivistic paradigm. Instead, *the anti-positivist stance of social science being subjective rather than objective enterprise is subscribed to in this thesis.*

Within all social sciences there is a clear need to take a stand, whether implicitly or explicitly, related to human nature. In this case the latter mode is opted. The two contrasted views of human nature within social sciences perceive human beings to be either what could be seen as just merely responding to external impulses, or alternatively, as an active agent. The former view of human beings sees them reacting mechanistically or even in a deterministic manner to the situations presented to them by their external world. In essence, this view sees human beings and their experiences as products of their environment. The latter, starkly contrasted view sees human beings as actively shaping their environment, not merely reacting to it. Central to this view of human beings are autonomy, and free will : the ability to choose one's way freely (Burrell & Morgan, 1979, 2-6), and possibly the means to carry out one's way, although this is not necessarily implied.

Between the two extremes, the voluntaristic and deterministic view of human nature, there is a rather large gray area in which many of the social scientists are located according to their view of human nature. This applies to the current case as well: it is exactly the gray area where I, and in consequence the current thesis, land. Although, in principle, the notion of free will is accepted, the line of thinking applied might be best described as moderately voluntaristic: both the influence of situational and voluntary factors for the activities of human beings as individuals, and as organized groups are taken into consideration. The view held in this thesis in relation to human nature might be summed up by stating that *human beings as individuals and organized groups are seen to possess freedom of choice within certain boundary conditions that vary from one situation to the next.*

Turning to the assumptions related to methodology, the methodological assumptions and choices are obviously closely related to the previous three sets of assumptions regarding the ontological and epistemological stand and view of human nature held. Based on the preceding discussion it may come as no surprise that *in this dissertation more of an ideographic approach, as opposed to a nomothetic stance, is adopted.* The goal setting of the dissertation directs or rather

requires the adoption of an ideographic orientation. Burrell and Morgan suggest (1979, 6-7) that in order to understand the social world, it is necessary to obtain first-hand knowledge of the subject under investigation. Further, the ideographic approach is seen to require getting close to the subject to be able to obtain its detailed background and history in order to generate insights and understanding about it.

In addition there are some features also generally associated with the ideographic approach that fit well with the current thesis, and thus direct the methodological choices towards the ideographic approach to serve the goal-attainment. These are, to name just a few: the interest placed on the individual cases and their interconnections, the tendency to represent the cases as undivided entities, the history or development of which is of interest, the tendency to study the subjects in their own environment, and the tendency to make phenomena understandable by referring to the future or individual's will and intention. In short, and in Burrell & Morgan's (1979, 6) words, what the ideographic approach offers for the current thesis is letting one's subject unfold its nature and characteristics during the process of investigation.

Figure 3 depicts the overall orientation of the current thesis in relation to ontology, epistemology, human nature, and methodology. The stars placed on the continuums represent the orientation of the dissertation in relation to the dimensions.

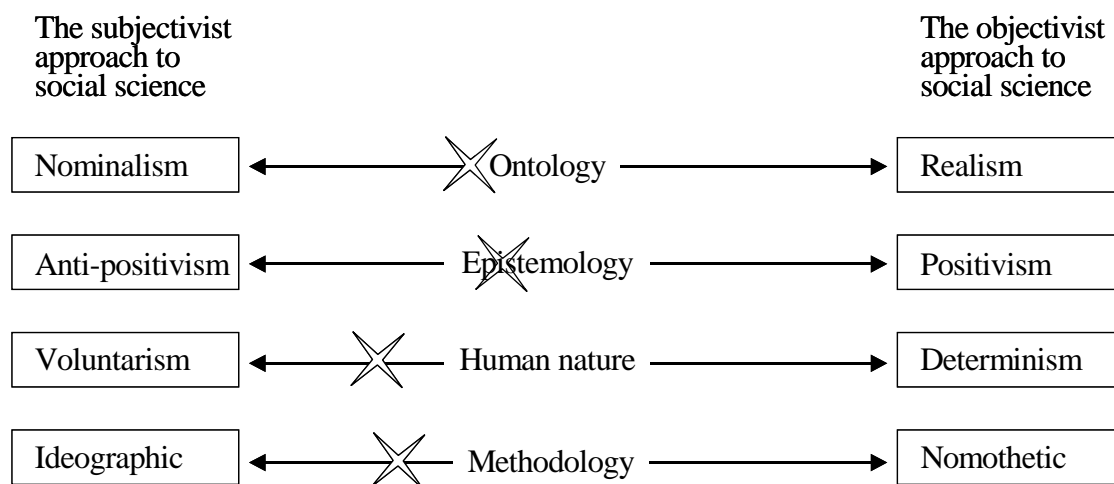


FIGURE 3 Orientation of the dissertation. Source: Burrell & Morgan, 1979, 3, adapted with modifications.

To further position the current dissertation in the field of organization and management studies, an analytical scheme presented by Astley and Van de Ven (1983) to analyze the metatheoretical orientation of organization and management theory, sharing a feature in common with the scheme presented

by Burrell and Morgan (1979), is utilized. Astley and Van de Ven (ibid.) use two analytical dimensions, 1) the level of organizational analysis, and 2) the relative emphasis placed on deterministic versus voluntaristic assumptions about human nature to distinguish between organization and management theories.

By the use of the above dimensions Astley and Van de Ven are able to distinguish between four views of organization and management theories: 1) the natural selection view, which is concerned with populations and communities of organizations (macro level) and is deterministic in orientation, 2) the system-structural view, which shares the deterministic orientation with the natural selection view, but is concerned with individual organizations (micro level), 3) the collective action view, which is concerned with populations and communities of organizations (macro level) and is voluntaristic in its orientation towards human nature, and 4) the strategic choice view, which shares a voluntaristic orientation with the collective action view, but is concerned with individual organizations (micro level). Figure 4 depicts the four perspectives, the schools belonging to the different views, the central assumptions related to organizational structure, organizational behavior, organizational change and the managerial role held by the proponents of each of the perspectives.

Overall, *the current dissertation could be placed within the strategic choice view* among the organization and management theories, although there are also some features of the system-structural view present. As discussed above, a voluntaristic orientation towards human nature is what is subscribed to overall in this dissertation. In addition to the overall voluntaristic orientation subscribed to, the additional characteristics associated with the strategic choice view (see Figure 4) are in accordance with my personal views regarding the nature of organization and management: the central force in organizational behavior is seen to be the subjectively meaningful individual action. The line of thought found within the system-structural view is most obviously present in that also the contextual influences as constraints on managerial choice are considered. However, it should be noted that even if the contextual influences are considered to act as constraints, their influence is not seen in the most extreme, deterministic manner, as suggested by some proponents of the system-structural perspective. In effect, the view held in this dissertation in relation to the extremes of voluntarism – determinism is attempts a dialectical reconciliation between the extremes by recognizing as Astley and Van de Ven (1983, 252) do, that individual action is always, in some measure, curbed to avoid total disintegration of the system. Both the strategic choice view and the system-structural view are compatible with the primary level of organizational analysis of this thesis because, as stated previously, the primary emphasis in the treatment of the internationalization phenomenon is on the level of individual organizations – on the micro level – although other levels of analysis are

employed as well. The levels of analysis and the arguments for choosing them are discussed in more detail in section 1.3 above.

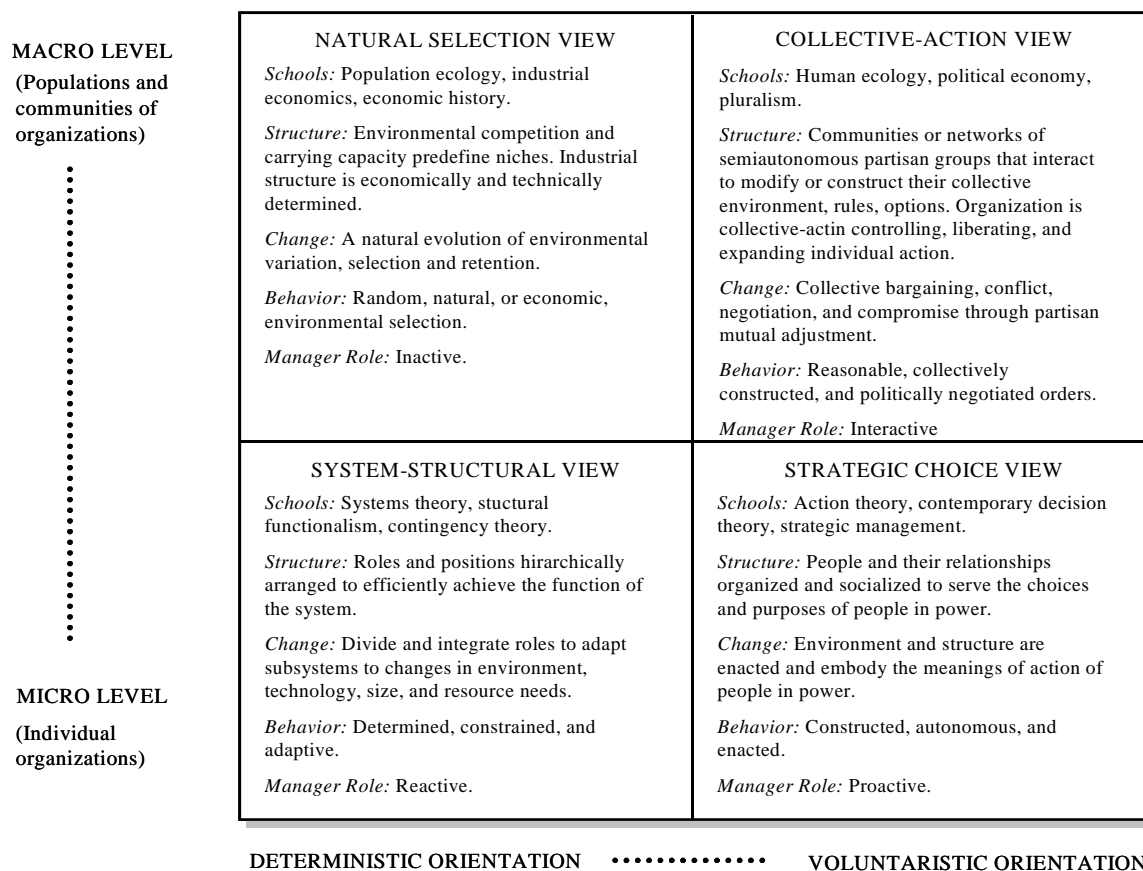


FIGURE 4 Four views of organization and management theories. Source: Astley & Van de Ven, 1983, 247.

2.2 Methodological choices of the dissertation

Putting the more philosophical considerations aside, the methodological choices of the dissertation on a more practical or operational level are in accordance with the discussion above related to the philosophy of science subscribed to. The methodological choices adopted as well as the grounds for them will be discussed in what follows.

The viewpoint on the studied phenomenon adopted in this dissertation is, as already mentioned, that of an external observer looking from the outside in. *The examination of the studied phenomenon relies on the observable manifestations of it*, which are seen as the result of the collective action of the organizational members. The examination is not concerned with the meanings or perceptions associated with the phenomenon studied by the individual actors within the

organizations. To explicate further the line of thought related to the viewpoint adopted in this dissertation, the reasoning of Berger and Luckmann (1966, 1994) on the distinction between objective and subjective reality is useful. Berger and Luckmann (1966, 1994) divide reality into two distinct yet complimentary components: objective reality; the objects, structures, roles, etc., external to people, and subjective reality; the ideas, thoughts, values, etc., internal to people. These two realities are seen to interact in a dialectical process. In this dissertation the emphasis of the examination is on the former, the objective reality, resultant from the dialectical process between the producer (human) and the product (social reality).

Thus, what is of interest from the point of view of this dissertation are the observable manifestations of internationalization development, which are taken to be resultant from managerial decision-making, and are carried out in the outer context of the organization, in the environment surrounding the organization. This basic orientation adopted resembles the approach chosen by Huff (1990) in her attempt to study directly unobservable processes of maps of strategic thought. In order to study them Huff chose to draw attention to patterns in observable activities, events or behaviors of the subject over time, and drew inferences based on the observable events. Thus, *the actual managerial decision-making related to internationalization, and the forms it assumes in the inner context of the organization are outside the scope of the thesis*. Hence, processes within organizations resulting in observable behavior in the outer context of the organizations studied, albeit important, are, nevertheless, outside the scope of this dissertation. By virtue of the viewpoint adopted, the processes within the organization are treated basically as taking place inside the proverbial black box to which there is no access in the current case.

Methodologically this thesis makes use of qualitative methods of scientific inquiry. Obviously, in itself the field of qualitative methodology is a very diverse one, based on approaches adopted in varied social sciences, such as sociology, psychology, political science, education, history, economics, and anthropology (Yin, 1984, 10; Gummesson, 1991, 3). Due to this heterogeneous disciplinary background there are numerous subfields or lines of thought to be found on how to conduct studies utilizing qualitative methods (see e.g. Schwartz & Jacobs, 1979; Jacob, 1987; Taylor & Bogdan, 1984; Patton 1990; Tesch, 1990; Miles & Huberman, 1994). Of the plethora of alternative ways offered by the wider field of qualitative methodology, the one chosen as the *principal method of conducting qualitative research in this dissertation is that of case study research*. The rationale for the choice made is in accordance with the general reasons for the adoption of the case study approach as a method of inquiry as pointed out by Yin (1984, 13):

In general, case studies are the preferred strategy when how or why questions are being posed, when the investigator has little control over the events, and when the focus is on a contemporary phenomenon within some real-life context.

It is both the how and why questions which are at the core of this dissertation. What is more, the condition of investigator having little, or more precisely, no control over the events studied in the current case, is readily apparent. The same applies where the other conditions given by Yin regarding the temporal condition and context are concerned: the chains of events under study, although having a historical flavor to them are, in relative terms at least, contemporary, and certainly they take place within a real-life context of the organizations involved. Further, some of the very basic reasons, also emphasized by Yin (1984, 14) for the use of the case study approach, are inherent in the current study.

It is the intention of this thesis to understand a complex social phenomenon, and thus the prospect of retaining the holistic and meaningful characteristics of the real-life events related to the phenomenon by the use of the case study approach is of great importance. Examples of such phenomena given by Yin – organizational and managerial processes – or rather their manifestations in the outer context of the organization, in this instance, are just what are at the core of this dissertation, and thus favor the adoption of the case study approach as a method for investigating them. Furthermore, as suggested by Hartley (1994), the advantages of combining the case study approach and processual examination are evident because the combination enables longitudinal examination of the phenomenon studied. This benefit further favors the adoption of the case study as the method of examining the internationalization development phenomenon studied in this thesis. Regarding the advantages provided by the case study approach in relation to treating phenomena, especially processes in their natural environments as wholes, and building bridges to their wider contexts Valdellin (1974, 47) states:

The detailed observations entailed in the case study method enable us to study many different aspects, examine them in relation to each other, view the process within its total environment and also utilize the researcher's capacity for *Verstehen*. Consequently, case study research provides us with a greater opportunity than other available methods to obtain a holistic view of a specific research project.

In the quote above an operative word in relation to the current study is a holistic view, which may be regarded as the opposite of reductionism (Capra, 1982). The reductionist view aims at breaking down an object or phenomenon into small well-defined analyzable parts, whereas treating objects or phenomena in a holistic manner requires treating the object or phenomenon of interest as the central object of study (Gummesson 1991, 76). Thus, instead of viewing the whole as the sum of its parts, addressing phenomena through the

holistic view acknowledges that the whole is not identical with the sum of its parts. In reference to the processual nature of the studied phenomenon of the dissertation and its historical flavor, the adoption of the case study approach is further justified. As the analysis in the current thesis is historical in the sense that history is always present, and that new history is always in the process of being created through current social, political, and economic reality (Arbnor & Andersson, 1977), the adoption of the case study approach enables the incorporation of time into the analysis. Thus, the case studies making up the current dissertation could be labeled as historical case studies, and further, the whole dissertation as a historical analysis. History in this sense may be viewed as a hermeneutic bridge : as a means of interpreting both the present and the future (Arbnor & Andersson, 1977). So, when history is seen in this light, historical analysis is not just simple retrospective study of past events, as it is sometimes incorrectly regarded, but as Arbnor and Andersson (1977) state, constitutes a means of making sense of both the present and the future.

The current dissertation deals with developments occurring in more than one organization within an industry over time. This calls for multiple-case design to be adopted as the means of exploring the development. Utilizing the schematic matrix presented by Yin (1984, 41), the current dissertation's three articles may all be classified as having a multiple-case embedded character in common as displayed in Figure 5.

	Single-Case Designs	Multiple-Case Designs
Holistic (single unit of analysis)	Single-case (holistic) designs	Multiple-case (holistic) designs
Embedded (multiple units of analysis)	Single-case (embedded) designs	Multiple-case (embedded) designs

Current dissertation

FIGURE 5 Orientation of the dissertation within the field of case studies. Source: Yin, 1984, 41, adapted with modifications.

Within each article more than one case is analyzed simultaneously, and further, within each article there are multiple units of analysis involved. Instead of

dealing solely with the primary unit of analysis – the organization – the analysis takes place variably at the subunit level, as well as at the next higher level, which may be termed, as is done here, the superunit level. Hence, although the approach and terminology utilized here differs to some extent from the terminology used by Yin in his matrix, *what is sought after by the multiple-case approach adopted is the integration of multiple units and levels of analysis to form a holistic approach to enable robust analysis of the development processes studied.*

In addition, to discuss the possibilities offered by adopting the case study approach in the current situation, and for other situations involving change of some kind more generally, for the suggested uses of case studies – in addition to the explanatory mode chosen here – Yin (1984, 13) suggests two other alternative uses, namely the exploratory and the descriptive mode. Both Yin himself (1984, 16-20) and others (e.g. Gummesson, 1991, 75-76; Stake, 1995, 3-4) maintain that the different uses, or case study strategies, have a considerable amount of overlap between them. Sen (1980, 353) even goes on to state that the uses are so closely interlinked that there cannot be description without analysis and interpretation, both of which are typically associated with the explanatory use of case studies. In other words, even what is sometimes considered the simplest use of case study research – making descriptions of some phenomenon – requires choices, which in turn are guided by the paradigm subscribed to, access, and preunderstanding related to the phenomenon.

Apart from Yin, another recent influential figure promoting the use of the case study approach – the multiple case approach in particular – is Eisenhardt (1989, 1991), who, being clearly instilled by the positivistic view of research offers a strict and highly structured method of case analysis aimed at producing well-defined, testable and generalizable theories grounded in data through the use of multiple case studies (Eisenhardt, 1989). The approach promoted by Eisenhardt (1989, 1991), however, is quite far-removed from the approach to case study research adopted in this dissertation. The following definition provided by Hartley (1994, 208-209) provides a good way of clarifying the manner in which the case study research strategy is utilized in the current dissertation:

Case study research consists of a detailed investigation, often with data collected over a period of time, of one or more organizations, or groups within organizations, with a view to providing an analysis of the context and processes involved in the phenomenon under study. The phenomenon is not isolated from its context (as in, say laboratory research) but is of interest precisely because it is in relation to its context.

2.3 Sources of preunderstanding

Following the definition provided by Gummesson (1991, 12), *preunderstanding is seen as one's insight into a specific problem or social environment prior to engaging into more thorough or detailed examination of the problem*, the social environment, or a specific phenomenon within the social environment. As Gummesson (1991, 71) points out, there are other terms utilized to convey a similar meaning as preunderstanding. The distinction between preunderstanding and terms like frame of reference, paradigm, and knowledge are not clear though. It appears they are used more or less interchangeably to refer to the same phenomenon of people (researchers) bearing some kind of not easily definable knowledge related to some phenomenon. Concepts like tacit knowledge and selective perception are clearly akin to preunderstanding.

Taking a wider point of view on the concept of preunderstanding in the research context, Gummesson (1991, 53) further suggests that preunderstanding is not solely related to knowledge, but also covers certain attitudes and commitment on the part of the researcher. These attitudes and commitments held by scientists in different fields of science are found to be relatively stable by the philosophers of science (see e.g. Kuhn, 1962, 1970; Lakatos, 1970; Laudan, 1977) due to scientists' reluctance to abandon their closely held central beliefs, or truths represented and preserved by paradigms (Kuhn, 1962), research programs (Lakatos, 1970) or research traditions (Laudan, 1977). Furthermore Gummesson considers personal experience to be an essential element in the process of collecting and analyzing information. This is a view closely held in this thesis as well. It is maintained that the *researcher (myself) is an integral part of the research process*, interpreting, assigning meaning and making sense of the phenomenon studied, and its linkages to other phenomena. Thus, the previous view is in agreement with Pettigrew's (1997, 339) assessment regarding the role of the researcher in a research process:

Few process scholars enter the field with an empty head waiting to be filled with evidence. Scholars are not just scientists, they remain obstinately human beings and as such are carriers of assumptions, values and frames of reference which guide what they are capable of seeing and not seeing.

Regarding the sources of preunderstanding in general, Gummesson provides a useful distinction between two kinds of preunderstanding. He distinguishes between preunderstanding at firsthand, and preunderstanding at secondhand (Gummesson, 1991, 57-61). The forms and sources of the two kinds of preunderstanding are presented in Figure 6. The forms and sources of preunderstanding related to the current study are discussed below. As shown in Figure 6, preunderstanding of the firsthand kind is based on personal

experience. Personal experience includes individuals experience gained in personal life as well as their experiences gained in working life. Obviously personal experience covers a wide range of experiences. In the broadest sense, personal experience may be perceived to cover the whole life history of an individual, thus providing the foundations for whom we are as individuals and how we see and perceive the world around us.

Taking a more narrow perspective on the formation of preunderstanding through personal experience – by concentrating on the preunderstanding gained in working life alone – and more precisely in the current research work setting, the firsthand type of preunderstanding related to the phenomenon may be gained by being personally involved in the internationalization process of an organization. Otherwise the formation of preunderstanding through personal experience in working life may be seen as the experience gained in working life in other issues not directly linked to the phenomenon studied yet having an influence on the formation of preunderstanding.

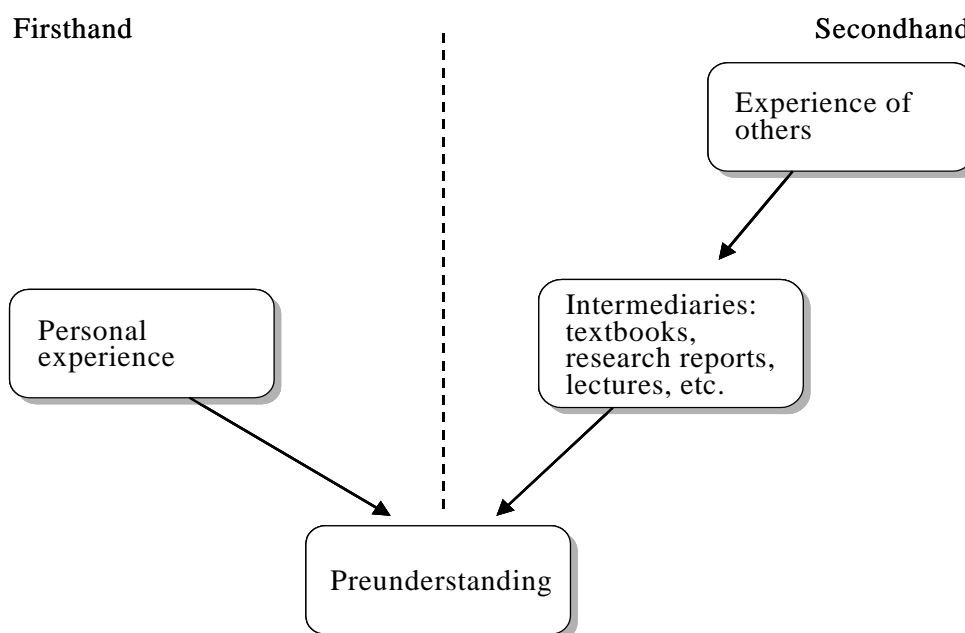


FIGURE 6 Forms and sources of preunderstanding. Source: Gummesson 1991, 58, adapted with modifications.

As is often the case in academic research, and as Gummesson (1991, 59) himself notes: We do not have the opportunity to experience everything ourselves. We also need the help of others to provide the interpretations and descriptions that we are not able to make ourselves. There is also knowledge that we are just not able to acquire by means of our own experience. An example given by him fits the current task at hand to a tee (*ibid.*, 59):

This [not being able to acquire knowledge by means of own experience] would apply for instance to a process of change within a large multinational company. Actually to experience this process in terms of both time (over several years) and space (from the reactions of management down as well as from the parent company to subsidiaries and other representatives in, say, 50 countries) is impossible. Nor are we able to turn the clock back and experience what has already occurred.

Thus, the secondhand types of sources for creating preunderstanding are inevitably needed. In fact, they are a useful means in gaining the individual preunderstanding needed to conduct research of the current kind. The experience gained by others is conveyed to the individual researcher through intermediaries, such as textbooks, research reports, and articles of many kinds. In addition, also lectures and discussions with practitioners may serve as valuable sources of preunderstanding, to give just a few examples. Also Russell (1948, 59) supports the usefulness of experience of others in gaining preunderstanding as he states:

The chief importance of knowledge by description [secondhand preunderstanding] is that it enables us to pass beyond the limits of our private experience. In spite of the fact that we can only know truths, which are wholly composed of terms, which we have experienced in acquaintance, we can yet have knowledge by description of things we have never experienced. In view of the very narrow range of our immediate experience, this result is vital, and until it is understood, much of our knowledge must remain mysterious and therefore doubtful.

When combined, firsthand and secondhand preunderstanding or knowledge form the individual's (researcher's) own preunderstanding related to a given phenomenon. The individual's own preunderstanding formed – based on the two different types of sources of preunderstanding – becomes the researcher's worldview, or way of seeing at the outset of the research project from which the researcher addresses the phenomenon studied. It has to be noted, though, that as the preunderstanding of the individual researcher develops, and thus creates a way of seeing, it may be the case that, as Poggi (1965, 284) too has noted: A way of seeing is a way of not seeing. In other words, the preunderstanding at the outset of a research project creates virtual blinkers for the researcher, hence limiting or defining what is of interest for the research in question.

As is often the case with academic research, and this is true in the current case also, the preunderstanding related to the studied phenomenon is for the most part based on the secondhand type. My own thinking related to the internationalization phenomenon is, due to a lack of personal experience, and thus of an ability to form firsthand preunderstanding in it, mostly influenced by the line of thought found within what has become variously called the Scandinavian school (Buckley & Ghauri, 1993; Kutschker, Bäurle, Schmid, 1997), the Nordic School (Björkman & Forsgren, 1997; Millington & Bayliss, 1997), the

Uppsala School (Parker, 1996; Leonidou & Katsikeas, 1996; Äijö, 1996; Fina & Rugman, 1996; Buckley & Casson, 1998; Welge & Borghoff, 1999), the Uppsala Model (Clark, Pugh & Mallory, 1997; Kutchker & Bäurle, 1997), the Uppsala Internationalization Model (Andersen, 1993; Barkema, Bell & Pennings, 1996), the internationalization process model (Melin, 1992; Hadjikhani, 1997), or the sequentialist school (Macharzina & Engelhard, 1991).

The line of thought found within the Nordic School – to pick one of the possible headings for it – is intellectually the most appealing for the current study for a number of reasons, the most notable of which are the school's way of addressing the internationalization phenomenon as a process, the longitudinal orientation to exploring the phenomenon, the holistic approach typically adopted in its examination, and the special emphasis placed on the qualitative methodology as a way to examine the phenomenon, and especially that of the case study approach subscribed to in the seminal works of the school (e.g. Hörnell, Vahlne & Wiedersheim-Paul, 1973; Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977).

The features of the line of thought found within the Nordic School listed above, and more specifically, the line of thought of researchers based in Uppsala is congruent with my own line of thinking related to the internationalization phenomenon. Thus, the line of thought found within the Nordic School creates a good starting point for the examination of the internationalization development of the Finnish forest industry and the companies within it. The adoption of the line of thought found within the Nordic School as the principal way of seeing and perceiving the phenomenon does not, however, imply that other lines of thought and theorizing related to the phenomenon have been discarded altogether, on the contrary. Instead, *what is subscribed to in the examination of the phenomenon is theoretical pluralism* or the eclectic approach – not to be confused with the eclectic theory of international production advocated by Dunning in his 1977, 1979, 1980 and 1981 pieces – to the treatment of the phenomenon studied, to its analysis, and synthesis alike. This theoretical pluralism is characterized by creative combination of the different lines of thought and their reasoning related to the different aspects of the internationalization phenomenon. The contributions of scholars associated with the Nordic School as well as other approaches having a process character in common to the study of internationalization are discussed in more detail later on in this introductory essay.

Further, my preunderstanding related to the various characteristics of the Finnish forest industry, its nature and dynamics stems from varied sources. It is mostly of the secondhand type in the same manner as the preunderstanding related to the internationalization phenomenon, and builds on the previous Finnish research conducted on the industry. Some of the key sources of preunderstanding in this dissertation related to the characteristics of the Finnish

forest industry have already been presented in the introduction section above. Both the influence of the studies cited as well as other studies having influence on my thinking which may have gone uncited, are acknowledged as sources of preunderstanding facilitating the sense-making of the workings of the Finnish forest industry in the current dissertation. Furthermore, informal interaction with individuals possessing lengthy hands-on experience in the industry has assisted considerably in my attempt to gain some additional insight into the nature of the industry.

To consider further the issue of preunderstanding, its development, and its link with the creation of understanding as a whole, the three articles included in the dissertation may be perceived to form a hermeneutic circle (Gummesson, 1991), or more accurately, a hermeneutic spiral (Odman, 1979, 83). The hermeneutic spiral refers to the interplay between preunderstanding and understanding, and their development through the research process. Preunderstanding at the outset of the research process becomes transformed into knowledge as a result of analysis and interpretation as the research process proceeds. In the current case, the knowledge created through the first stage of the research process, materialized in the first article, becomes further the base for preunderstanding of the following stages, which, in turn, is transformed into knowledge in the following stage of the process as a result of analysis and interpretation. In other words, at each stage of the research process *preunderstanding develops to another level as the understanding related to the phenomenon develops*, thus creating interconnected loops, or a spiral of sense-making depicted in Figure 7.

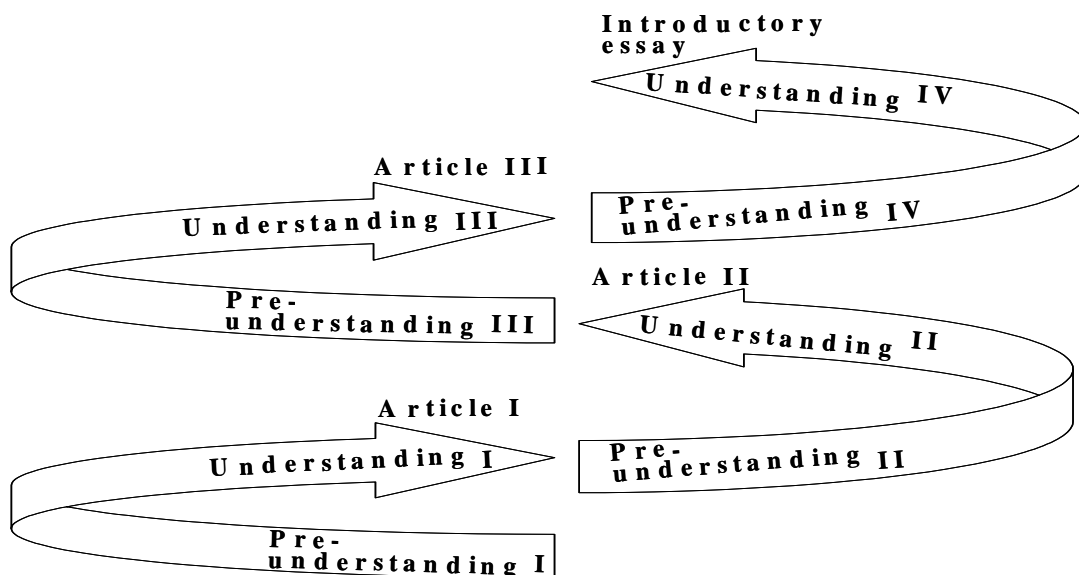


FIGURE 7 The hermeneutic spiral of the dissertation. Source: Gummesson 1991, 62, adapted with modifications.

Again it should be noted, as with Figure 2 above, that although the succession of the articles is displayed in the order they appear in the second part of the dissertation, in reality, the order of the articles is different. Nevertheless, the idea of hermeneutic spiral in action in the creation of further understanding in relation to the phenomenon studied applies to the full.

2.4 An unifying theoretical frame of reference – theories of process

Although the dissertation is based on three basically self-contained articles, it is suggested that when combined the three articles form a coherent whole capable of adding to our knowledge and understanding of the development processes involved in the internationalization of the individual companies, and the industry under study as a whole. It is recognized from the start that an *interest in the development of some phenomenon necessarily bears with it a need to adopt a process perspective in addressing it*. As development takes time, in order to observe something developing, time becomes an important consideration. Thus, a longitudinal process orientation to the study of both the individual companies internationalization processes, as well as to the aggregate process at the industry level is one of the underlying basic ideas in all the articles making up the second part of the dissertation.

More generally than in the current case alone, there has been a change of focus from stability to change in the attempts to understand various social actions, management, and organizations (Ropo, Eriksson & Hunt, 1997). As a result, time has recently become an important facet in the analysis of various transformative phenomena (see e.g. Whipp & Clark, 1986; Whipp, 1987; Bluedorn & Denhart, 1988; Hinings & Greenwood, 1988; Huber, Van de Ven, Glick & Poole, 1990; Van de Ven & Poole, 1990; Pettigrew & Whipp, 1991; Pettigrew, 1985a, 1985b, 1985c, 1987, 1990, 1992; Huber & Glick, 1993; Gersick, 1994; Adam, 1995; van den Bosch, 2001).

Having brought up the term process it is necessary to define what is generally meant by it and, further, how a process is perceived in this thesis. Van de Ven (1992, 169) suggests that the term is used and defined in three different ways in the literature. He points out that process is perceived, first, as a logic that explains causal relationships between independent and dependent variables, second, as a category of concepts or variables that refer to actions of individuals or organizations, and third, as a sequence of events that describe how things change over time. In this dissertation the use of the term is largely in accordance with the third definition suggested by Van de Ven (1992), but also has some links to the second definition or common usage of the term. Thus, in this thesis *processes are seen as sequences or chains of interlinked events taking place*

over time as a result of actions taken by organizations in their respective operating environments. Hence, in effect, the view adopted in this thesis in relation to the nature of the processes studied is for the most part identical to the definition of a process provided by Pettigrew (1997, 338): [A process is] a sequence of individual and collective events, actions, and activities unfolding over time.

In addition to the importance of defining the meaning of process and its usage, Van de Ven (1992) stresses the importance of explicating the theory of process subscribed to in (strategy) process research. Van de Ven (1992), based on an extensive literature review of Van de Ven and Poole (1991), proposes the existence of four families of theories of development and change processes distinguishable from one another: life cycle, teleological, dialectic and evolutionary theories. These families of theories are to be viewed as ideal types of theories of change processes based on fundamentally different logics representing the underlying generative mechanisms that explain why observed events occur in particular sequence progressions, when specific circumstances or conditions exist. In practice elements of these ideal types are combined in scholarly works and they rarely exist in their pure forms (Van de Ven, 1992), which is the case in this thesis too, as will be discussed in more detail below.

Seen from the perspective of the life cycle family of theories, change is viewed as inherent. The developing unit is guided by some underlying logic or code from its inception to its end. The external environment may influence the process's manifestation but it cannot change the inevitable end result of the overall process (Van de Ven, 1992; Van de Ven & Poole, 1988). As Van de Ven states (1992, 177): the typical progression of a life cycle process of change is unitary, cumulative, and conjunctive sequence of stages, because the trajectory to the final end state is prefigured and requires a specific historical sequence of events. If change is addressed through the teleological process theory, it becomes essential to see the developing entity as purposeful and adaptive, either by itself or in connection with other entities. The developing entity socially constructs an envisioned end state and selects from alternatives a course of action to reach it (Van de Ven, 1992). Although teleological models of change may be perceived to set some standard for the envisioned end state, they do not, unlike life cycle theories, presume a necessary sequence of events to reach the end state. Thus, teleological models posit the existence of several ways of reaching the set goal (*ibid.*). Seen through dialectic process theory, the basic assumption related to change is that the developing entity exists in a pluralistic world of colliding events, forces, or contradictory values which compete with each other for domination and control (*ibid.*, 178).

The dialectic models of change are basically equilibrium models in which change is periodically induced by disturbances to the balance of power between the opposing forces. These disturbances cause a new cycle of dialectical process, in which the end result is, through partisan struggles and accommodations, a

(temporary) equilibrium. Van de Ven (1992) further distinguishes the evolutionary family within change theories. The evolutionary change models share the biological evolutionary development process of variation – selection – retention in common as their background idea, and explain change as recurrent, cumulative, and probabilistic progression. Variation is typically seen as emerging through random chance (Aldrich, 1979); selection takes place through competition among different forms produced by variation, and is best described as the survival of the fittest, or those best suiting the resource base of an environmental niche. Furthermore, retention involves forces perpetuating and maintaining certain organizational forms and practices selected in the past (Van de Ven, 1992). It could be interpreted as the heavy hand of the past (Pettigrew, 1992).

In addition to the above general classification scheme of theories of change by Van Ven (1992), others have proposed classifications of theories of change in more detailed circumstances. Newman and Nollen (1998) propose the following classification of theories dealing with change at the organizational level: transaction cost theory, contingency theory, resource dependence theory, life cycle theories, and strategic choice theory. The central propositions of the above theories related to organizational change could be summarized in the following way. Seen from the transaction cost perspective (Williamson, 1975, 1981, 1985) change occurs due to an organization's ambition to minimize transaction costs which leads to structures minimizing the overall cost of transacting with the environment. The contingency perspective sees organizational change as resulting from an organization's drive to achieve a fit with its environment (Woodward, 1965; Lawrence & Lorsch, 1967, Thompson, 1967). Thus, change is imposed on the organization by external forces to which it needs to adapt in order to survive as maintained by population ecologists (e.g. Hannan & Freeman, 1977; Aldrich, 1979). The environmental forces provide the central driving force of change from the contingency perspective's point of view (Astley & Van de Ven, 1983).

Resource dependence theory posits that organizational change results from the need of an organization to reduce the restrictive qualities of the environment on its ability to acquire critical resources (Pfeffer & Salancik, 1978), in other words reduce its dependence on the environment. The life cycle-theoretical viewpoint on organizational change paints a deterministic picture of a process that inevitably proceeds through stages as the organization grows and ages (Greiner, 1972; Kimberly & Miles, 1980). Thus, it is held within the life cycle theories of change that the developing entity contains with it an underlying logic that regulates the change and moves it from a given point of start towards the predetermined end (Van de Ven, 1992). Behind the life cycle theories there are typically biological analogies of organisms' development. Viewing organizational change from the strategic choice perspective puts the

management of an organization in center stage. It draws attention to individuals, their interactions, the social construction of reality, autonomy, and choice (Astley & Van de Ven, 1983). Change is not imposed deterministically on the organization from the outside, but the management is seen as the central actors forming strategy and making choices among available alternatives (Child, 1972; Nelson & Winter, 1982; Hrebiniak & Joyce, 1985). Organizational change is thus seen as a deliberate choice made by the management resulting from adjustment to the environment (Laine, 2000). In addition to change within the organization, the strategic choice perspective extends to inducing change in the surrounding environment of the organization. Seen from the strategic choice perspective, the environment may be changed to accommodate the needs of the organization through political negotiations as suggested by Lorange (1980).

To follow Van de Ven's (1992) advice on making clear the theory of process subscribed to in process research, in this thesis both his classification and that of Newman and Nollen (1998) are useful in outlining the type of theory of process against which the development studied is judged. The two classifications at different levels of specificity are compatible in that the theories of change at the organizational level may be further classified according to the criteria of the general classification provided by Van de Ven (1992) as will be shown in the following. At the organizational level, the theory of change which is used as the background against which the development is analyzed is, in Newman and Nollen's (1998) terms, that of strategic choice. The strategic choice theory may be seen to be in agreement with Van de Ven's (1992) teleological theory of change, because it too puts the major emphasis on the management as a purposeful actor central to the social construction of meaning, and setting the desired end state for the organization. In addition, the strategic choice theory may be seen to be in conformity with the dialectic theory of change proposed by Van de Ven (1992), for it is exactly in the pluralistic type of world characterized by colliding events and forces that the organizations reside and have to find their way in.

The process theory subscribed to in the current thesis is a combination of teleological and dialectic theories of change and contains features derived from both. The teleological features (e.g. von Wright, 1971) are present in that there is an attempt to understand a series of goal-oriented processes in this thesis in the sense that each attempt to further increase (decrease) the international involvement of a company is retrospectively interpreted as a purposeful attempt to achieve some desired end state. Thus, there are two types of processes that are of interest from the point of view of this dissertation: the overall process of internationalization of a given forest industry company itself – the pattern of internationalization, and the sub-processes or distinct occasions making up the overall pattern. In the terminology utilized by Melin (1992) in his

discussion of different meanings associated with the longitudinal approach to studying development processes, the types of processes that are of concern here are epochs (the overall process/pattern of internationalization), and episodes (sub-processes in the overall process). Epochs and episodes differ from each other in relation to time, episodes being relatively short-lived, epochs more extended periods of time (Melin, 1992), and relevance for future internationalization (Kutschker, Bäurle & Schmid, 1997). In a way, the teleological sub-processes are deconstructed and made understandable backwards, starting from the end result of each process. This kind of sense-making is also referred to as retrodiction (von Wright, 1971).

The dialectic process theory features are most evident in this thesis in the basic idea held that the development of the companies studied is a result of forces and counterforces enabling and counteracting the achievement of the companies' goals. Both the forces and the counterforces may obviously originate from within or outside the company, but it is held that the most important counterforces restricting the goal-attainment of the companies studied originate from the outside as the development paths of both the focal companies and those of others collide. Although the episodes in the overall internationalization process may be seen in the light of the teleological theory of change to have a goal, as well as a distinguishable process towards its attainment, the overall internationalization process itself is, in the spirit of the dialectic theory of change, open-ended; it has not reached its goal. Thus, although the overall orientation to understanding the internationalization processes of the Finnish forest industry companies is retrospective, and thus the orientation of the study historical, the end state of the ongoing process is still unknown. Hence, the current thesis follows one of the central suggestions made by Van de Ven (1992) for studying strategy processes: it initiates a historical study before the final outcomes of a strategic change process become known. Therefore the findings of the current dissertation may be considered as intermediate. Further, it is seen as questionable whether such a (final) goal in the teleological sense could be stated either, at least by an outsider to top management of the company in question, but – just to speculate – such a goal could be occupying the dominant position within the global forest industry.

Apart from the process orientation, another basic unifying theme in the three articles in the second part of the dissertation is their shared interest in the phenomenon under study – albeit from different viewpoints – the internationalization development of the companies within the Finnish chemical forest industry. Further, *as an overall goal of the dissertation conjoining the articles is an attempt at linking the observed internationalization development processes of the companies studied to their wider contexts*, which is seen to be important for developing deeper understanding of the interplay between the processes and their contexts because, as Pettigrew (1997, 338-339) points out:

Actions drive processes but processes cannot be explained just by reference to individual or collective agency. Actions are embedded in contexts, which limit their information, insight and influence. But the dual quality of agents and context must always be recognized. Contexts are shaping and shaped. Actors are producers and products. Crucially for any processual analysis, the interchange between agents and contexts occurs over time and is cumulative. The legacy of the past is always shaping the emerging future. What happens, how it happens, why it happens, what results it brings about is dependent on when it happens, the location in the processual sequence, the place in the rhythm of events characteristic for a given process.

Thus, it is believed that in order to attain a more comprehensive understanding of the internationalization development of the companies and the industry studied, it is necessary to include the context of the process in the analysis. This is necessary in order to avoid the risk of examining the phenomenon unfruitfully in a vacuum, and leaving the various influences of the wider environment in which the development is embedded aside, and without the proper attention they deserve. Vacuum-like examination is rather characteristic in particular of the economics-based approaches of studying the internationalization phenomenon with their oversimplified models of one-way causalities between a few variables. In fact, there have recently been calls for a wider perspective, similar to that of Pettigrew (1997) above, to be adopted within the field of international business in order to expand the domain of international business inquiry beyond the firm and its activities, to take the context of the business activity more into account than is currently the case (see Dunning, 1989; Toyne & Nigh, 1997, 1998 among others).

3 DOCTRINE OF THE STUDY

3.1 International business as a field of study and its development

Internationalization is a phenomenon that has recently received considerable attention in various contexts. It may very well be considered as a phenomenon touching most parts of contemporary society in some way. It would be quite safe to claim, to take an expanded view of the issue, that in the current state of the world there is virtually no corner of social life that is not affected to some extent by the phenomenon. International linkages on different levels and fields of social life have proliferated considerably during the past half century, and thus made internationalization a popular topic in various circles of contemporary society and social life. In effect, the number of interested parties in the phenomenon, all approaching it from their own concerns, has grown immensely.

Business, being an important part of social life, makes no exception to the rule. Although business in the international context is not a new phenomenon, far from it, interest in its study is, relatively speaking, recent (see e.g. Melin, 1992; Parker, 1996; Wright, 1970; Wright & Ricks, 1994). Much of the awakening of scientific interest in business in the international context dates back to the period following the end of the Second World War, a time that was marked by a rapid growth period in cross-border, in other words, international business (Armstrong, Glyn & Harrison, 1984; Cantwell, 1991; Rumelt, 1974; Äijö, 1992). The inception of international business as a scientific field of study may be traced back to the mid-1950s (Wright, 1970). When talking about international business, the following defining features may be associated with it as a means of distinguishing international business from domestic business, as is done by Wright (1970) when establishing the scope of international business research: 1) it is concerned with firm-level business activity (the movement of goods, capital, people, know-how, manufacturing, extraction, construction, banking,

shipping, advertising, and the like) that crosses national boundaries or is conducted in a location other than the firm's home country, 2) it is concerned with the interrelationships between the operations of the business firm and the international or foreign environments in which the firm operates.

The scientific study of business in the international context may be considered a newcomer in the field of sciences and as such it still lacks a unified theoretical and conceptual foundation on which the theorizing in the field is built (see e.g. Macharzina & Engelhard, 1991 among others), although some claims for the existence of *the* theory of international business, or *the* theory of multinational enterprise are to be found in the literature (see e.g. Rugman, 1981 who refers to the internalization theory by Buckley & Casson, 1976; Buckley, 1990). Wright & Ricks (1994) nevertheless conclude that most of the research conducted within the field of international business may be placed in one of two functional categories: 1) studies involving a particular problem area with little or no regard to how things differ from country to country (or culture to culture), or 2) studies focusing on comparisons between countries (comparative management) and/or cultures (cross-cultural management). As a personal assessment, I would assume that volume-wise the former category clearly dominates, although the latter category has gained much attention recently.

Much of the early theory development in the field drew upon established economics-based theory, most notably on theories of international trade, and was concerned with explaining the occurrence of the phenomenon of international production and the organizational forms within which that activity took place. The historical load of the early stages of development in theorizing in international business is very much present still today, and there are distinguishable schools or lines of thought to be found, each stressing the importance of their own – typically economics-based – approach. In addition, it is maintained by Wright and Ricks (1994) in their analysis of the development of the international business field that international business research has maintained a relatively narrow functional focus and remained unidisciplinary in nature (Dunning, 1989) regardless of the repeated calls for multidisciplinary and interdisciplinarity in the field (see e.g. Dunning, 1989; Daniels, 1991; Vernon, 1994; Schollhammer, 1994; Redding 1994).

3.1.1 Theorizing related to international production and multinational enterprise

In the early theorizing the emphasis of examination was notably on the explanation of the initial investment. Later the emphasis has moved away from explaining the initial investment to explanation of the growth of international

production and the organizational forms within which it occurred. Regardless of the above development, the legacy of the early studies persists. Thus, typically subsequent investments have been seen as occurring in isolation and driven almost solely by efficiency considerations at the level of the individual firm (Kim & Hwang, 1991). In the following a brief review of the major lines within the economics-based theorizing related to the internationalization of business activities is presented, and some of the landmark contributions in the field are discussed. The following presentation takes a chronological form in outlining the developments related to theorizing in the field.

A typical feature of the early contributions in the field was their tendency to examine the issue of international production, or to utilize an established term, foreign direct investment (FDI) as a country-level phenomenon. This tendency owed much to the economics-based treatment of the phenomenon and the early macro public policy considerations in which the major issue of interest was the impacts of foreign direct investment on the receiving economy, in other words, the welfare effects of foreign direct investment. The first contribution in this economics-based stream of research, setting the tone towards public policy concerns (Rugman, 1998) for much of the coming research dealing with FDI is that of John Dunning's 1958 book on inward American FDI in Britain titled *American Investment in British Manufacturing Industry* (Dunning, 1958).

In his 1958 book Dunning set out to investigate and analyze the effects of inward flows of foreign direct investment on the host country in an extensive field study covering five-sixths of British companies with US ownership. Although the interest in Dunning's early contribution lay clearly in the explanation of the phenomenon on the country-level, and thus macro-oriented in its treatment, it may be seen as containing the seeds for his subsequent contributions at the micro-level. The seeds of future development were most clearly evident in his analysis of the key characteristics of US-based FDI in Britain, when he reports on its geographical location, size, ownership patterns, financial, administrative, and managerial structure (Rugman, 1998).

Another landmark contribution to the field was Stephen Hymer's 1960 dissertation *The International Operations of National Firms: A Study of Foreign Direct Investment* not published, however, until 1976. Hymer's dissertation has been considered a watershed, an event that changed the point of view regarding the international activities of multinational enterprises to more than merely the movement of financial capital across national borders (see Kindleberger, 1984, 181; Dunning & Rugman, 1985; Corley, 1992, 6-7; Åijö, 1996). Hymer has been acknowledged as *the* pioneer of the economic theory of the multinational company (Horaguchi and Toyne, 1990), and even John Dunning, commenting on the early theoretical work on transnational corporations, recently remarked, considering Hymer's work as a whole, he has

probably come nearest to identifying the ingredients of a general theory (1996, 33).

Hymer, based on extensive data of his own and that of Dunning (1958) strongly challenged the predominant capital movements research tradition's inner core, and placed the multinational enterprise (MNE) at centre stage as the main actor and unit of analysis. Hymer's criticism of the existing and then prevalent theorizing centered on his assessment that the orthodox theory of international trade and capital movements was unable to explain multinational enterprises' involvement in foreign operations. Hymer was especially concerned with the existing theories' inability to explain two-way flows of foreign direct investments between countries, as well as their inability to explain the FDI flows between countries with similar factor proportions and level of economic development (Cantwell, Corley & Dunning, 1986).

Hymer's central proposition regarding multinational enterprises' foreign direct investment behavior was that the motive for FDI was control over foreign assets for strategic reasons (Äijö, 1996). By controlling the foreign assets multinational enterprises would be able to change the competitive environment in their favor to exploit the return on their skills and abilities in order to offset the inherent disadvantages of operating in a foreign market, the so-called cost of foreignness (Hymer, 1976; Buckley & Casson, 1998). Thus, a central implicit assumption in Hymer's theorizing was that an entrant was in a disadvantaged position in relation to the established domestic firms at the time of entry. In order to succeed in its endeavour and overcome the inherent disadvantage, it had to possess an advantage in a particular activity over the established domestic firms (Hymer, 1976, 33). The entrant firm possessing these (monopolist) advantages in a particular activity utilizes them as a means of gaining and extending its market power. The centrality of the market power concept in Hymer's line of thought has led to it being dubbed the market power approach.

One of the central merits of Hymer's line of thought was the abandonment of the neoclassical economic assumption of perfect markets, and the demonstration of how foreign direct investments flourished in imperfect markets. In addition, one of Hymer's central contributions to the field, which was to be a starting point for subsequent research in the tradition he may be seen to have initiated, was the centrality given to market power or monopolistic advantages considerations in explaining the existence of foreign direct investments and the organizations performing them, the multinational enterprises. Hymer builds his contribution on an explanation of why firms move abroad and engage in foreign production, on the theory of the firm, and on the theory of industrial organization (Cantwell, 1991).

Raymond Vernon is another influential figure in the early development of the theorizing related to international investment and the development of

multinational enterprises. In his seminal article *International Investment and International Trade in the Product Cycle* of 1966, Vernon develops a theoretical framework aimed at explaining observed patterns of foreign direct investment which he felt were not adequately addressed by the utilization of the comparative cost doctrine alone (Vernon, 1966). He stressed the importance of the timing of innovation, the effects of scale economies, and the role of ignorance and uncertainty as the important influences of trade patterns, instead of cost, by stating (ibid. 190): one cannot be exposed to the main currents of international trade for very long without feeling that any theory which neglected the roles of innovation, scale, ignorance and uncertainty would be incomplete.

Starting with his central concepts of innovation and knowledge, to which the concepts of ignorance and uncertainty are clearly linked, he rejects the notion of knowledge being a universal free good and instead places it as the independent variable in any decision concerning whether to trade or invest (Vernon, 1966). Based on his assessment of the uniqueness of the United States market, especially its features of high average income and high unit labor cost accompanied by abundant capital, he felt that US-based producers were likely to be the first to detect an opportunity for high-income or labor-saving new products, and for reasons of communication and external economies, the first to establish the earliest production facilities for such products in the United States, and later locate the facilities elsewhere.

Vernon suggests that as new products enter the maturing product stage, marked by increased standardization, considerations regarding economies of scale through mass production become a more important factor in decision-making regarding the location of production facilities. Vernon further suggests that at this stage cost considerations, especially that of labor, become more important in the locational decisions than in the previous stage, and that the likelihood of establishing foreign production in relatively advanced countries (in comparison to the US) increases, and imports to these markets are substituted by local production. At this stage, the cost difference being high enough to offset transport costs, Vernon proposes, exports back to the US may begin (Vernon, 1966, 194).

As the product further matures it enters the standardized product stage, which, according to Vernon, has some further locational implications for the production of such standardized products. He proposes that the low cost of labor may be the initial driving force for locating the production of highly standardized products in less-developed countries, as these products would typically have a well-organized, easily accessible international market, and they are sold on the basis of low price. Thus, cost considerations are of great interest, location less so, especially if the production process is not reliant on the external economies (Vernon, 1966, 198). Again, as with the case of advanced countries,

Vernon suggests that as production meets local consumption, exports back to the US would begin.

To summarize the implications of Vernon's product cycle model for the internationalization of a firm, the product cycle model suggests that multinational enterprises typically increase their international involvement via various stages: from purely domestic operation to exporting, and further into foreign production in different geographic areas according to their economic development as a function of increased standardization of the product. Another important theoretical implication of Vernon's model is that such development at the industry-level would occur as a result of the oligopolistic reaction of the other producers aiming at maintaining or defending their global market shares. Central to this oligopolistic reaction at the industry-level is the threat to the status quo and uncertainty caused by the initial investment that sets out a wider mimetic behavior within an industry. As Vernon (1966, 195) states: The uncertainty can be reduced by emulating the pathfinding investor and by investing in the same area; this may not be an optimizing investment pattern and it may be costly, but it is least disturbing to the status quo. One important contribution by Vernon was placing his model into a dynamic industry-wide context, and paying explicit attention to final product markets and their importance in the internationalization of an industry.

As with Hymer and Vernon, Peter Buckley and Mark Casson may be considered as initiators of a distinguishable research stream into the study of foreign direct investment. With their 1976 book titled *The Future of the Multinational Enterprise* Buckley and Casson brought their internalization theory to the forefront of foreign direct investment research, and made a considerable contribution both to the theorizing concerning foreign direct investment and the theory of multinational enterprise. Central to their thinking related to foreign direct investment were the assumptions that firms choose the least-cost location for every activity that they perform, and that by internalizing markets up to the point where any benefits of further internalization is outweighed by the additional costs (Buckley, 1988), multinational enterprises grow. Thus, the internalization theory suggests that the growth of a multinational enterprise is the direct outcome of replacing imperfect, or non-existent external markets by internal ones (Buckley, 1996). This claim accentuates the centrality of market failure reasoning in the internalization theory. One point made by Rugman that the reason for the existence of multinational enterprise is the internalization of the failure of the market for information is also illustrative of this central argument: There is no proper market for the sale of information created by the MNE and therefore no price for it ... the MNE is driven to create an internal market of its own in order to overcome the failure of an external market to emerge for the sale of information (Rugman, 1980, 368).

In their theorizing Buckley and Casson draw on transaction cost economics, thus building on the works of Coase (1937) and Williamson (1975) in their internalization theory development. As a result of this the explanation in their approach relies much on the tradeoffs in terms of relative cost of performing transactions either through the market, or, as an alternative, by making a market within the boundaries of the firm, thus internalizing the market (Rugman, 1981, 28). The internalization theory has been proposed as the theory of the international firm, and that of international business (Rugman, 1981) as it gives insights into the international management of the firm and its behavior as it operates across national borders (Rugman, 1998, Wilkins, 1997).

As mentioned above, Buckley and Casson lay special emphasis on the collective efficiency with which transactions between units of productive activity are organized. They propose that transaction costs are the key mechanism in determining whether it makes more economic sense to organize transactions through market exchange or through administered exchange within the organization. Central to their thinking is that intangible proprietary assets such as technology are especially costly to exchange in arms-length transactions (Cantwell, 1991), and because of that, these exchanges are brought within the boundaries of the firm. In line with this idea, although somewhat critical of the internalization approach's merits, Kogut and Zander (1993) have proposed that the more tacit the technology held by a firm, the more likely it is that technology will be transferred within the firm, which leads to growth through internalization. To sum up the line of thought and reasoning related to the existence of foreign direct investment and multinational enterprises found within the internalization/transaction cost approach, at the core of the line of theorizing lies the efficiency principle. It is assumed that economic transactions are more efficient when performed through hierarchies (organizations) than through imperfect markets. Due the central role assigned to economic efficiency, a central implicit assumption in the theory is that of rationality.

The eclectic theory of international production put forth by John Dunning in 1977 in his article *Trade, Location of Economic Activity and the Multinational Enterprise: A Search for an Eclectic Approach* presents a unifying and synthesizing framework of the theories presented above, and as such it is generally considered an important contribution to the field of international business studies. It attempts to create linkages between the neoclassical location theories, theories of monopolistic advantages, and the transaction cost/internalization theories since he saw these theories, in contrast to many others, as complementary, not incompatible rivals. As Dunning states:

It is our contention that the two approaches [internalization and monopolistic advantages] should be treated as complementary aspects of an eclectic theory of international involvement, which should embrace not only the product but also the factor and intermediary goods markets; and should acknowledge that the ownership

advantages arise not only from exclusive possession of certain assets, but from the ability of firms to internalise these assets to protect themselves against the failure of markets (including the consequences of this failure to competitors behavior) and government fiat over the rest of their activities (Dunning, 1977, 406).

Although both Dunning and others, following his example, regard his approach as theory, it would be more fitting to refer to it as an overall analytical framework encompassing a set of theories (see e.g. Cantwell, 1991, Dunning, 1988, 2001). In his 1977 article Dunning, drawing from multiple theoretical backgrounds, lays out his integrated approach to understanding and analyzing international economic involvement based both on the *location*-specific endowments of countries and the *ownership*-specific endowments of enterprises (Dunning, 1977, 1, emphasis in the original).

In addition to location and ownership advantages, central to Dunning's thinking was the incentive and ability of firms to internalize the markets to their advantage. Thus, he saw the internalization of markets by multinational enterprises as the central means in linking the location and ownership advantages to produce a competitive edge for multinational corporations (MNC) *vis-à-vis* their major competitors. In Dunning's own words: ...it is not the possession of technology *per se* which gives an enterprise selling goods embodying that technology to foreign markets (irrespective of where they are produced) an edge over its competitors, but the advantage of internalising that technology, rather than selling it to a foreign producer for the production of those goods. It is not the orthodox type of monopoly advantages that give the enterprise an edge over its rivals – actual or potential – but the advantages which accrue through internalisation... (Dunning, 1977, 407-408). The centrality of internalization in Dunning's reasoning for the foreign investment activity of multinational enterprises and for the approach itself is further highlighted by the following assessment:

...without the incentive to internalise the production and/or sale of technology, foreign investment in technology-based industries would give way to licensing agreements and/or to the outright sale of knowledge on a contractual basis. Without the incentive to internalise market imperfections, there would be much less reason to engage in vertical or horizontal integration, and again, transactions would take place between independent firms. This, we would argue, is the distinctiveness of our approach (Dunning, 1977, 408).

Although internalization plays a major role in Dunning's framework, it would be unfair to categorize it as another internalization approach or even synonymous to the internalization theory, which is sometimes the case according to Cantwell (1991). The eclectic theory, or paradigm, as Dunning himself referred to it in his later works (cf. Dunning, 1988) is more general and combines, as discussed above, seemingly contradicting theoretical works in its treatment of firms international economic involvement by pointing out their

common grounds. As the eclectic paradigm is general in nature it allows equal weight given to macroeconomic theories of locational advantages and the interaction between the firm and its macroeconomic environment as suggested by Cantwell (1991, 29).

To conclude the discussion on the economics-based theorizing aimed at explaining the phenomenon of international production and foreign direct investment, and the organizational forms within which they take place, Figure 8 is used to outline the central theoretical underpinnings of the theories presented above. Note that many of the early theoretical contributions appearing in the figure are not cited in the text, nor mentioned in the references. They have, however, been included in the figure to provide a more comprehensive outlook on the theoretical antecedents acknowledged by the writers themselves, and to provide a way to build linkages between the theories discussed above.

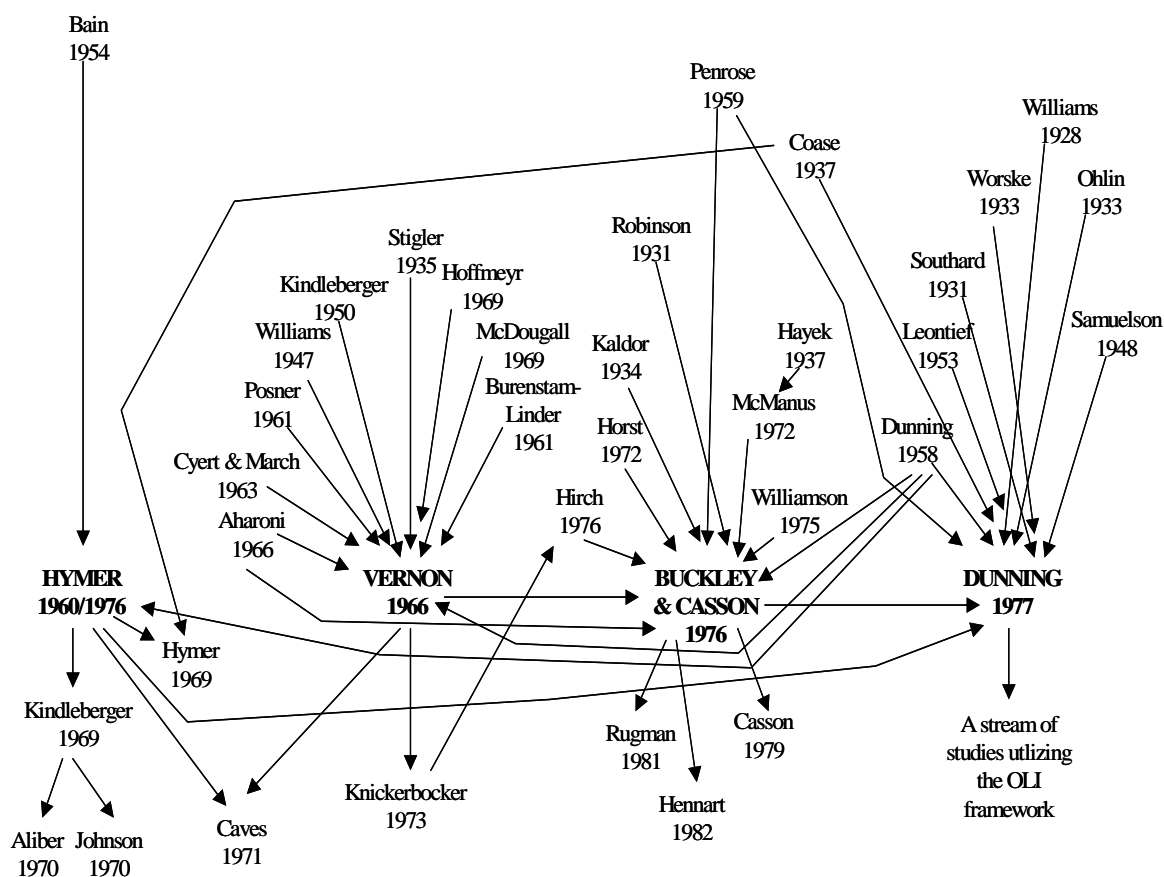


FIGURE 8 Central economics-based theories explaining international production and the existence of multinational enterprise and their interlinkages.

3.1.2 Theorizing related to the process of increasing international involvement of firms

Much at the same time as the economics-based developments in the study of foreign production and multinational enterprises described above, another line of inquiry into the phenomenon of increasing international involvement of firms took off with quite a different orientation. Central to this approach was its concentration on the firm level as opposed to the early economics-based approaches typical feature of concentrating (primarily) on macro-level considerations. It took instead a pronouncedly behavioral view of the firm, and saw the firm expanding its operations outside its domestic environment as plagued by incomplete knowledge and high uncertainty related to foreign markets and possible alternatives available in them. Thus, bounded rationality and limited knowledge (see e.g. Simon, 1955, 1976, 1982) as well as learning through experience (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977) were some of the central concepts which the advocates of the behavioral approach built on in their theorizing related to the process of increasing international involvement of firms.

The emergence and especially the further development of the behavioral approach is typically closely associated with a number of Nordic scholars, whom, based on their extensive empirical studies came to similar conclusions related to the nature of the process which firms were found to pass through as they became more internationally involved (see e.g. Coviello & McAuley, 1999; Björkman & Forsgren, 1997, 2000; Korhonen, 1999; Buckley & Casson, 1998; Coviello & Munro, 1997; Hadjikhani, 1997; Parker, 1996; Leonidou & Katsikeas, 1996 among others). Some of the earliest pioneering contributions to the stream of behaviorally-oriented internationalization process studies identified by Korhonen (1999, 17-25) in her review of the Nordic internationalization research include studies by Sune Carlson (1962, 1966, 1970, 1975), Reijo Luostarinen (1966, 1967, 1968, 1970, 1978a, 1978b, 1979), Jan Johanson (1972), Anders Mattson, (1972), Jan Johanson and Finn Wiedersheim-Paul (1975), Jan Johanson and Jan-Erik Vahlne (1977), the last two being the most widely recognized within the body of the Nordic research stream into the study of the internationalization process of firms. The following discussion is chronologically ordered, as was the discussion on international production above. However, not all the literature cited above is discussed, but only the most relevant and influential pieces within the behaviorally-oriented internationalization process literature, in my judgment, are addressed in more detail in what follows.

In their review and analysis of the Nordic scholars contributions to international business research Björkman and Forsgren (2000) assign a pivotal

role in the research tradition's development to Sune Carlson, whom, based on his empirical research *Executive Behaviour: A Study of the Work Load and the Working Methods of Managing Directors* (1951) concluded that in general managers' work was less rational and more fragmentary than typically assumed, and that this finding had its implications for the conduct of international business as well. In Carlson's view firms aiming at international involvement either through export or foreign investment, were faced with high uncertainty and a lack of knowledge about prevailing conditions and alternatives. Thus, he saw the engagement in business abroad as a process of taking cautious steps into the unknown, rather than a consequence of rational choice based on economic analysis (Björkman & Forsgren, 2000). His early assessment of the 1950s regarding the nature of firms' engagement in international business was carried on in his later contributions in the 1960s (Carlson 1962, 1966), thus making an impact on the thinking of other Nordic scholars in the field of international business. The intellectual heritage of Carlson is clearly present in the subsequent contributions of the Nordic scholarly works exploring the internationalization of firms, especially in the works of Uppsala-based researchers Johanson, Wiedersheim-Paul, and Vahlne.

Apart from Carlson, another influential figure who has made a lasting impact on the development of the behaviorally-oriented internationalization research stream is Yair Aharoni, whose 1966 dissertation *The Foreign Investment Decision Process* provided an influential contribution to the future development of the behaviorally-oriented internationalization process research tradition. In his dissertation Aharoni treated foreign investment decision-making as a managerial process influenced by a number of factors related both to the managers' information processing, and the firm within which the decision-making takes place. Thus, he views the foreign investment decision as a complicated social process influenced by social relationships both within and outside the firm (Aharoni, 1966, 45-46). He describes the investment decision as a process, characterized by stages through which the decision to invest (or not to invest) was reached, which drew attention explicitly to the processual nature of internationalization. Aharoni, based on a survey of US investors and non-investors in Israel, suggests that a typical foreign investment decision process proceeds through four stages. I have chosen to term some of them somewhat differently than Aharoni (1966) himself or others (e.g. Buckley, 1989; Coviello & McAuley, 1999) have previously done to better convey the nature of each stage.

The stages of the investment process are as suggested by Aharoni (1966), but slightly modified: 1) a shift in the focus of attention, 2) investigation, 3) a decision to invest, 4) bargaining, and 5) embedding and repetition. Aharoni suggests that in the first stage the essential driving force in the process is the existence of some initiating force which shifts the domestic firm's focus of attention towards the possibility of international involvement. Such initiating

forces may be either internal to the organization or external, originating from outside proposals by foreign governments, distributors or clients. Other external forces proposed by Aharoni include fear of loss of market – a suggestion in line with the findings of Barlow and Wender (1955) – following the example of a competitor – and strong competition from abroad in the home market (Aharoni, 1966, 55). In the following stage, the investigation stage, the would-be investor engages in information gathering to assess the viability of the investment option and risks associated with it. Aharoni points out that there are various check points in the information-gathering stage that may lead to the abandonment of the investment option. Thus, engagement in information gathering does not necessarily imply that investment would be made as a result (Aharoni, 1966).

Logically, investigation is followed by a decision regarding whether the investment is to be finalized or not. Nevertheless, as Aharoni points out, it is typically virtually impossible to find out at what point, and in actual fact, by whom a decision to invest is made. He further points out that the decision to invest is not necessarily the last event in the chain of decisions, nor is it always the outcome of the investigation process. Instead, an investment decision may result from the creation of commitments during the investigation stage, which leads to unwillingness to abandon the project although there might be sound reasons (economic or other) for doing so. This may lead to the next, bargaining stage in which the internal (likely opposing) groups engage in negotiations to satisfy the commitments of different organizational members, and to modify the project in order to meet the requirements set for its implementation (*ibid.*).

It appears that the negotiation stage forms a feedback loop between the stages, and that the negotiation process provides an iterative process between the previous stages. Finally, provided that the initial investment is actually carried out through the process described above, and the new venture becomes successfully incorporated into the organizational whole, further incentives for increased internationalization through foreign investment may arise. As this happens, it is suggested by Aharoni that experience gained in the initial investment may lead both to changes in the organization, and devotion to increased international involvement through the creation of a particular international division in an organization to handle the complexities of operating internationally (Aharoni, 1966). Thus, quite obviously, as pointed out by Aharoni, internationalization has organizational implications by creating requirements for adjusting structures to accommodate the increased scope of business activities.

To summarize the central contributions of Aharoni for the development of the behaviorally-oriented internationalization research tradition, they are to be found in the treatment of foreign investment as a managerial decision-making process, thus bringing attention explicitly to the importance of studying

complex dynamic social processes. Another major contribution to the future development of the research tradition is the centrality given to uncertainty and bounded rationality in decision-making related to international involvement, as well as the application of some of the ideas proposed by Cyert and March (1963) in their behavioral theory of the firm in an internationalization context.

Both the thoughts presented by Cyert and March, and Aharoni, as well as those presented by Carlson had an impact on the theorizing found in a very influential piece *The Internationalization of the Firm: Four Swedish Cases* by Jan Johanson and Finn Wiedersheim-Paul (1975). In their article Johanson and Wiedersheim-Paul's starting point was the critique of then-existent literature, and in particular, its concentration on large corporations with a large domestic market (the US) performing large, spectacular foreign investments (Johanson & Wiedersheim-Paul, 1975, 305) as the dominant mode of engagement in international business. This was in stark contrast to the observed development in Sweden that was rather characterized by gradually increasing international involvement, a feature Johanson and Wiedersheim-Paul believed to be true for other countries with a small domestic market as well. Building on their central theoretical constructs of learning (a lack of knowledge), uncertainty avoidance, and a lack of resources, Johanson and Wiedersheim-Paul present their model of the extension of firms' international operations as a stepwise process. Based on their empirical case studies Johanson and Wiedersheim-Paul state that the extension of firms' international operations follows four identifiable stages in an ascending order of involvement and resource commitment (Johanson & Wiedersheim-Paul, 1975, 306):

1. no regular export activities
2. export via independent representatives (agent)
3. sales subsidiary and
4. production/manufacturing

As Johanson and Wiedersheim-Paul themselves point out, the above sequence of stages or establishment chain with four identifiable stages is based on judgment, and the differences between the stages are somewhat exaggerated for simplicity. Thus the establishment chain could have a different number of stages as well as different types of steps (*ibid.*, 306). Further, Johanson and Wiedersheim-Paul recognize the possibility that the full chain of establishment is not necessarily followed in all markets, and that jumps might occur in the chain due to the experience of the firm in other foreign markets. Hence, the model they present is not intended to be normative representation of the actual process, as the critics of the approach have often mistakenly interpreted it.

In addition to the concepts mentioned above, another central concept in Johanson and Wiedersheim-Paul's theorizing related to the internationalization process is the concept of psychic distance which they derive from the studies of

Beckermann (1956) and Linnemann (1966) (see *ibid.*, 322 note 9). Beckermann associates, for example, differences in language as a factor creating psychic distance between individuals of different nations (Beckermann, 1956, 38), but Johanson and Wiedersheim-Paul bring additional features to the concept of psychic distance by including differences in culture, political systems, level of education, and level of industrial development as factors creating disturbance in flows of information between firms and the market (Johanson & Wiedersheim-Paul, 1975, 307). Although they do not suggest that psychic distance between any two countries is constant, they nevertheless assume changes in it are slow.

While Johanson and Wiedersheim-Paul consider psychic distance to be an important factor in relation to locational extension of the activities of firms into new countries, they also discuss the size of the potential market as a factor in locational decisions in some length, and try to incorporate the market size considerations found to be important for the location of international business activities into their model. They conclude that the importance of psychic distance and market size considerations vary according to the stage of development, so that in the early stages of internationalization (the representative stage) psychic distance plays a more important role, and that in the later stages (sales subsidiary and production) market size considerations assume the central role regarding locational decision-making. They further note that for this reason it is hard to observe any correlation between psychic distance and the establishment of production units (Johanson & Wiedersheim-Paul, 1975, 307).

Through their case studies Johanson and Wiedersheim-Paul found support for their proposed model of the establishment chain, and concluded that the development of the firms studied was in accordance with the incremental internationalization view (*ibid.*, 315-321). To sum up the previous discussion on the incremental internationalization approach promoted by Johanson and Wiedersheim-Paul, their central contribution to the development of the internationalization process research stream may be seen to be in that they took a broader view of international involvement and its development than had previously been done. With their approach they covered also the middle-ground of the various possibilities of engaging in international business previously dealt with less fully by the export and foreign direct investment literature. Thus, Johanson and Wiedersheim-Paul's approach may be seen as covering the whole spectrum of modes of engaging in international operations, while the export and FDI literature was mostly concerned with the opposite ends of that spectrum. This is only natural due to their differing phenomena of interest. Another major contribution made by Johanson and Wiedersheim-Paul is that by approaching the internationalization phenomenon through longitudinal case studies they opened up a major new avenue for the

study of internationalization processes in a more dynamic setting than previously had been done.

The Internationalization Process of the Firm: a Model of Knowledge Development and Increasing Foreign Market Commitments by Johanson and Vahlne (1977) is considered another landmark article in the development of the behaviorally-oriented internationalization process approach. In their article Johanson and Vahlne largely build on the earlier contribution of Johanson and Wiedersheim-Paul (1975), and develop further some of the key ideas presented in the 1975 article. As with the Johanson and Wiedersheim-Paul (1975) piece, the construct of knowledge and its creation occupies a central role in Johanson and Vahlne's discussion. In line with the earlier findings of the Uppsala School they maintain that the internationalization of a firm is a product of a series of incremental decisions. They further maintain that the main reason for the observed patterns of internationalization development is the lack of knowledge about foreign markets (Johanson & Vahlne, 1977), which leads to the establishment chain observed in earlier studies (see e.g. Johanson & Wiedersheim-Paul, 1975; Johanson, 1966; Forsgren & Kinch, 1970; Kinch, 1974).

Johanson and Vahlne go a great deal further in elaborating the importance of knowledge for the internationalization of a firm than did Johanson and Wiedersheim-Paul in the 1975 article. In fact, most of their discussion revolves around the very issue of knowledge and its importance for a firm's international involvement, and the deepening of that involvement. Although concepts such as psychic distance and the establishment chain dating back to the 1975 article of Johanson and Wiedersheim-Paul are referred to, their treatment receives little attention reflecting a change in the line of thinking related to the importance of different factors affecting firms' internationalization processes.

Building on ideas presented by Cyert and March (1963), Aharoni (1966) and Penrose (1959), Johanson and Vahlne develop their model of the basic mechanism of the internationalization of firms that distinguishes between the state aspects and change aspects of internationalization. Johanson and Vahlne utilized the following figure (Figure 9) to illustrate the interplay between the state and change aspects in their model.

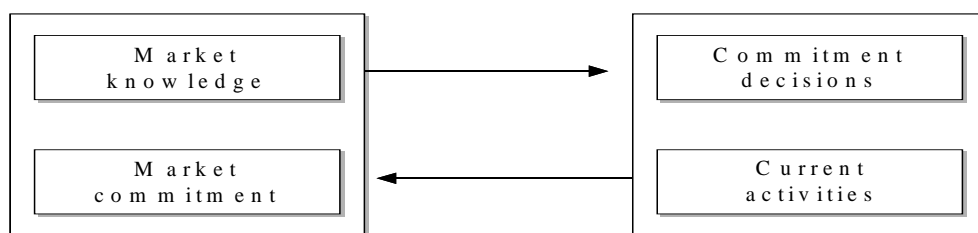


FIGURE 9 State and change aspects of internationalization. Source: Johanson & Vahlne, 1977, 26.

As to the basic assumption related to the nature of the firm in their model, Johanson and Vahlne state: it is assumed that the firm strives to increase its long-term profit, which is assumed to be equivalent to growth ... [t]he firm is also striving to keep risk-taking at a low level ... [t]hese strivings are assumed to characterize decision-making on all levels of the firm (Johanson & Vahlne, 1977, 27). Thus, a basic assumption of Johanson and Vahlne is that firms (or their management) are risk-averse. Johanson and Vahlne further propose that the prevalent state of internationalization affects the perception of opportunities and risks, which in turn is seen to affect commitment decisions of the firm as well as its current activities (*ibid.*). The model presented by Johanson and Vahlne brings another central concept, that of commitment to international markets into their discussion of factors affecting the internationalization process.

Johanson and Vahlne suggest that market commitment is composed of two factors: the amount of resources committed, and the degree of commitment, which, they posit, is defined by the difficulty of finding alternative uses for the resources committed to a given market, and the difficulty of transferring them to the alternative use. The concept of degree of commitment, defined as Johanson and Vahlne (1977) do, resembles the concept of sunk cost (Andersen, 1993). They further suggest that the higher the integration of the resource to the other parts of the organization and its level of specialization, the higher the degree of commitment of a resource is (*ibid.*). The amount of resources they equate with the size of investment in the market, and the size of investment defined in broad terms of investments in marketing, organization and personnel among others.

The centrality of knowledge – placed by Johanson and Vahlne in several categories: objective, experiential (following Penrose's (1959) line of thought), market specific, general – is highlighted in their discussion in which they argue for the critical importance of experiential knowledge in relation to market commitment decisions firms make. It is Johanson and Vahlne's view that in the internationalization process of a firm, of utmost importance is the experiential knowledge, which can only be acquired through operating in a given country. This is because, as Penrose points out (1959, 53): experience itself can never be transmitted; it produces a change – frequently a subtle change – in individuals and cannot be separated from them. In following the same line of reasoning Johanson and Vahlne further accentuate the role of experiential knowledge in relation to market knowledge, which they see mostly resulting from first-hand experience in the market. As such, experiential knowledge is seen as more or less non-transferable unlike general knowledge, which they see as enabling lateral growth by establishing (technically) similar activities in dissimilar business environments (Johanson & Vahlne, 1977).

Johanson and Vahlne propose a direct relationship between market knowledge and market commitment by considering knowledge as a resource: the better the knowledge about a market, the more valuable are the resources and the stronger is the commitment about a market (Johanson & Vahlne, 1977, 28). Thus, knowledge about a market provides a linkage between the state and change aspects of internationalization in their model, because the experiential knowledge about a given market is acquired through current activities in the market as Johanson and Vahlne suggest in their discussion.

Johanson and Vahlne propose that firm's decisions to commit resources in a given market depend on their awareness of needs and possibilities for business action in that market. As both detection of problems and opportunities in a market require experience regarding the given market, Johanson and Vahlne further propose there is an opportunity horizon related to each market, dependent on the forms of interaction a firm has chosen to employ in a given market. They furthermore distinguish between economic effect and uncertainty effect in firm's additional market commitment decision-making. They associate the economic effect with the increase in the scale of operations in the market, and the uncertainty effect with the lack of ability to estimate factors affecting the present and future state of the market.

Johanson and Vahlne suggest that uncertainty is reduced through increases in interaction and integration with the market environment, which leads to small stepwise increases in the additional commitment of firms – unless a firm has very large resources, the market conditions are stable, or the firm possesses extensive experience in markets with similar conditions than the one in question. In the existence of these circumstances Johanson and Vahlne propose that the increase in the scale of operations of a firm may differ from the typical establishment chain (*ibid.*, 30-31). Thus, the reduction of uncertainty (through accumulation of experiential knowledge) has a central role in Johanson and Vahlne's theorizing about firm's increased international involvement.

To sum up Johanson and Vahlne's contribution to the field in their 1977 article, it lies mostly in the highlighting of the importance of knowledge, and especially that of experiential knowledge in the process of the internationalization of the firm. The basic proposition of the model, that internationalization is a process evolving through the interplay of knowledge development and market commitment is an intellectually appealing one. Hence, Johanson and Vahlne's article is best seen as a think piece in which they try to formulate their ideas of the underlying central factors having an effect on the internationalization process of firms, and formulate a theoretical model of the process by utilizing the behavioral theory of the firm (Cyert & March, 1963) as their background idea. As a think piece, the article of Johanson and Vahlne somewhat lacks conceptual rigor and does not provide much of a basis for the

operationalization of variables in play within the process, but as Johanson and Vahlne themselves note in their discussion of their models empirical verification, much work is needed:

In order to validate it [the model] empirically we intend to make two kinds of empirical studies. Firstly, we shall make one or two intensive case studies to see if the mechanism can be used for explanation in empirical situations. In those case studies, we shall try to measure the internationalization variables, market commitment and knowledge, and investigate how they develop during the internationalization of the firm.

Secondly, we intend to make comparative studies of the internationalization courses of different firms. Assuming that such factors as firm size, technology, product line, home country, etc., via the mechanism discussed affect the character of the internationalization in different ways, we will investigate whether firms that differ with respect to those factors also differ with respect to the patterns of internationalization (Johanson & Vahlne, 1977, 31).

In some sense, it may be argued, the current dissertation is attempting to do just what Johanson and Vahlne are proposing, although not necessarily with the variables, nor in the nomothetic-deductive methodology implicitly suggested by them in the above quote.

Another widely recognized contribution to the behaviorally-oriented stream of internationalization research is the 1979 dissertation by Reijo Luostarinen titled: *Internationalization of the Firm*. Although Luostarinen's approach has similarities with Johanson and Wiedersheim-Pauls (1975) approach, and shares some of the background theories with Johanson and Wiedersheim-Paul (1975), and Johanson and Vahlne (1977), Luostarinen's treatment of the internationalization process of the firm is more comprehensive than in the other two mentioned. As with Johanson and Wiedersheim-Paul (1975), and Johanson and Vahlne (1977) articles, Luostarinen's starting point was his dissatisfaction with the observed dominance of research in the field of international business dealing with large and mature corporations with a large domestic market, and its concentration almost solely on foreign direct investments. In Luostarinen's view, what was needed for the further development of international business as a field of study was an alternative viewpoint, that of small and medium-sized firms operating from small and open domestic markets, case in point, Finland (Luostarinen, 1979, 4-6).

Luostarinen builds his model of the internationalization of the firm on four cornerstones: the systems theory, the theory of the growth of the firm, the strategic decision-making theory and the behavioral theory of the firm. Luostarinen found the systems theory an especially useful starting point for the analysis of the phenomenon, as it provided a framework by which he could incorporate various levels of analysis into his overall assessment of the complex phenomenon (ibid., 9-10). Figure 10 presents the overall framework for analyzing the internationalization of firms proposed by Luostarinen.



FIGURE 10 Overall framework for analyzing internationalization of firms. Source: Luostarinen, 1979, 20

Unlike most other Nordic scholars – and especially the Swedish scholars who based their theorizing on qualitative methods – Luostarinen relied on quantitative methods of data gathering and analysis in his study. Based on his sample of 1006 Finnish firms Luostarinen found support for his proposition of the existence of lateral rigidity (Vaivio, 1963) in decision-making related to internationalization. Luostarinen defines lateral rigidity as a behavioral characteristic of the firm which causes inelasticity in the firm's strategic decision-making behavior (Luostarinen, 1979, 48), and sees it as an important component in strategic international business decision-making because of the crucial role of cognitive aspects such as knowledge, uncertainty, risks, and organizational learning involved in these decisions.

One of the central propositions made by Luostarinen in his study is that the size of the domestic market makes a difference in the internationalization decisions of firms. More specifically Luostarinen points out that for companies operating in a small domestic market internationalization as a way of expansion plays a very different role than for companies operating in large domestic markets. Thus, the limits of growth for a company with a small domestic market are met earlier, and in order to grow further they need to look outside their home base (ibid., 64-71). Luostarinen combines another macro-level variable into his discussion of the driving forces of internationalization for small country firms and concludes that in addition to smallness of home market the openness of the home market is a factor causing internationalization pressure for firms in small countries (ibid., 72-79).

By utilizing lateral rigidity as an underlying background variable Luostarinen develops his tentative dynamic model of the internationalization process of the firm. He places his central international business strategy components; product strategy, operation strategy, and market strategy into a dynamic context and aims, by examining changes in the strategy components, to track changes in firms existing internationalization posture. Luostarinen, in accordance with the findings of other Nordic scholars in the field, proposes that an orderly, chronological development process, the internationalization process of the firm, can be found which shows the mainstream of internationalization development, and which is typical of most of those firms acting within and from small and open domestic markets (Luostarinen 1979, 182-183). He further suggests that the process may be divided into four stages (ibid., 183):

- 1) starting stage of internationalization
- 2) development stage of internationalization
- 3) growth stage of internationalization
- 4) mature stage of internationalization.

In Luostarinen's view, what sets firms in different stages of development apart from one another is a change in the product and/or operation posture of the firm. Hence, change in only the market posture of a firm from countries with relatively short business distances to ones with greater business distances means geographical expansion of its existing products through already utilized operation modes, and thus does not mean that the firm has moved to the next development stage (ibid., 183).

Luostarinen finds support for the proposed process model of internationalization in the context of an industrialized country with a small and open domestic market through his extensive data, but as he points out, no fully clear-cut pattern was found (ibid., 194). He gives three main reasons for the lack of a clear-cut pattern: 1) differences in the companies product or industry-related factors, 2) differences in the companies attitude or approach (active – passive) towards internationalization, and 3) differences in skills and knowledge creation which affects the number of perceived alternative product-operation-market postures of the firms, which in turn, as Luostarinen suggests, would enable more experienced firms to diversify their approach to internationalization in the later stages of the process.

To summarize Luostarinen's central contribution to the development of the behaviorally-oriented internationalization process study, his treatment of the phenomenon is most likely the most comprehensive of the approaches discussed in this section, or any other available for that matter, in its field. Luostarinen's treatment of the internationalization process covers a wide variety of factors and their interplay in the process of increasing the

international involvement of the firm. His approach integrates a wide range of compatible theories explaining firms behavior, and adapts them into the internationalization process context thus providing a holistic representation and explanation of the phenomenon of internationalization at the firm level. A major contribution of Luostarinen's approach is that it tries to answer not only the 'how' question which is typical of internationalization process approaches, but it explicitly also attempts to answer the question of 'why', which has drawn less attention within the internationalization process school (e.g. Andersen, 1993).

Due to the comprehensiveness of Luostarinen's approach, and thus its complexity, it has remained somewhat underutilized although it provides numerous insights into not only the process itself, but especially the underlying forces at play in it. The complexity of Luostarinen's approach is due to its multiplicity of conceptual and analytical layers, a feature that may be considered both its weakness but also its central strength. It might be a well-fitting analogy to call Reijo Luostarinen's framework an eclectic model of the internationalization process of the firm, for the same reasons as John Dunning's (1977) framework is referred to as the eclectic model of international production.

In addition to the contributions discussed above, there is a wide body of literature which adopts a process view of the export behavior of firms. In it models characterized by stages varying in terms of number are developed to describe, classify and predict the export behavior of firms (see e.g. Rogers, 1962; Wiedersheim-Paul, Welch & Olson, 1975, Wiedersheim-Paul, Olson & Welch, 1978; Olson, 1975, Bilkey & Tesar, 1977; Bilkey, 1978, 1982; Cavusgil, 1980, 1982, 1984; Reid, 1981; Czinkota, 1982 among others). For a recent review of the export behavior literature see Leonidou & Katsikeas (1996). These models of export behavior are not discussed here, however, since they are of less interest due to their partial nature in relation to the internationalization of business operations. They are concerned with only a fraction of the overall internationalization process of the firm, albeit an important one for the overall process, as most of the process models of internationalization would maintain.

As with the previous section dealing with economics-based theorizing aimed at explaining the phenomenon of international production and foreign direct investment, Figure 11 is used to outline the central theoretical underpinnings of the behaviorally-oriented theorizing explaining the internationalization process of firms in order to provide an overview of the linkages between the contributions discussed above. Note that as with Figure 8 above outlining the theoretical influences of the reviewed models, some of the early theoretical contributions appearing in Figure 11 are not cited in the text, nor mentioned in the references. They have, however, been included to provide a more comprehensive outlook on the theoretical antecedents acknowledged by

the writers themselves, and to provide a way to build linkages between the models discussed above.

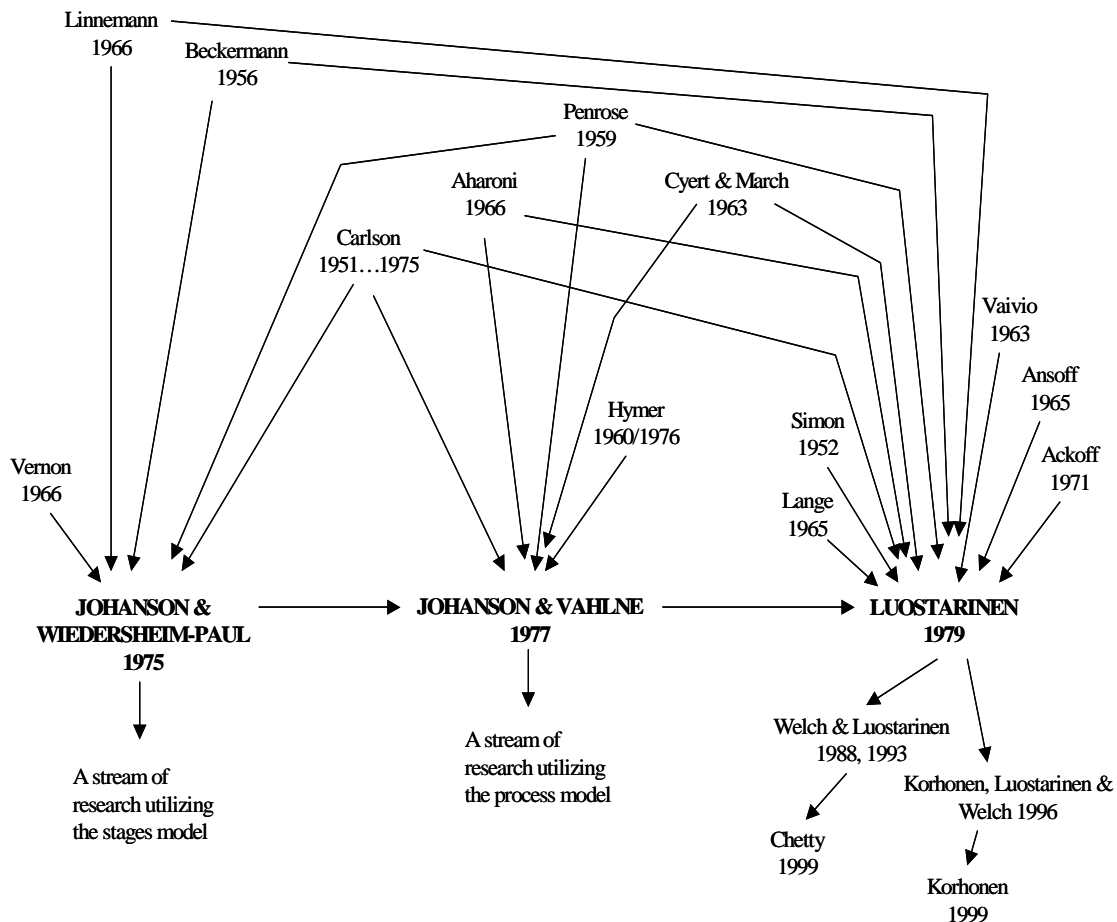


FIGURE 11 Central models explaining the internationalization process of the firm and their interlinkages.

As with any scientific theory or model, the internationalization process models discussed above have not gone without critique. Although most of the critics of the internationalization process models would – even the strictest of them – agree, in principle at least working from the basic idea of the internationalization of a firm being a process by nature, they typically take the perspective that because the models have not been empirically verified to a satisfactory degree, the internationalization process models are, at least, in some respects flawed and invalid representations of the nature of the process. For example Oviatt and McDougal (1994) take this kind of stand in their critique by referring to the partial nature of the process model (especially that of Johanson and Vahlne, 1977). Although they moderate their criticism by noting that even if the process model does not apply to some conditions, it does not mean the model is invalid and cannot be applied in other situations. Also Forsgren (1989)

takes a similar point of view, and points to the process models partial applicability, by concluding that while the process model (Johanson & Vahlne, 1977) provides important insight into the development in the early stages of the internationalization of a company, it is of less value in explaining the development in the later stages due to the accumulation of both knowledge and market resources. Hedlund and Kverneland (1985) take a similar position in their critique after discovering that the firms in their sample were not developing according to the expected pattern suggested by Johanson and Vahlne (1977), and conclude that the lack of market knowledge did not seem to be as important a factor constraining the internationalization of firms as suggested by Johanson and Vahlne. Forsgren (2000, 2001) has launched another line of critique on the internationalization process models by arguing that the concept of learning utilized by Johanson and Vahlne (1977) is too narrowly perceived and thus limits the usability of the model.

Some are stricter in their assessment regarding the validity of the process models. Turnbull (1987), Millington and Bayliss (1990), and Sullivan and Bauerschmidt (1990), for example, claim that the models suggesting incremental internationalization of firm fail altogether to account for the phenomenon they attempt to explain. There are others who aim their critique explicitly at the earlier process model, the stages model of Johanson and Wiedersheim-Paul (1975), instead of bundling the two models together, which is typical of the critics of the internationalization process approach (cf. Hadjikhani, 1997). For instance Calof and Beamish (1995) take the position that in reality firms do not necessarily follow the establishment chain put forward by Johanson and Wiedersheim-Paul. Another line of criticism against the early stages model of Johanson and Wiedersheim-Paul is that the models stages are seen as deterministic (e.g. Kutschker & Bäurle, 1997), and do not allow sufficient inclusion of managerial intention and influence on the internationalization process. The critics claim regarding the determinism of the stages model in particular could be paraphrased in the following way: as the ball has been set rolling, it will inevitably follow the suggested path, regardless of circumstances. Critics of this line include Reid (1981), Rosson (1987), Turnbull (1987), Young and Wilkinson (1989).

Overall the internationalization process models discussed above have one very basic character in common because they all build on the behavioral theory of the firm (Cyert & March, 1963) inspired by the findings of Simon (1955, 1956) related to bounded rationality, limited information and uncertainty. By placing the internationalization development of a firm in a behavioral context, and thus abandoning assumptions related to perfect rationality and maximizing behavior as the rule of organizational behavior subscribed to in the orthodox economic theory, the internationalization process models discussed above have a very

different orientation to the analysis of internationalization phenomenon than the economics-based models building on orthodox economic theory.

Instead of maximization as the rule of organizational behavior, satisficing (Simon, 1957) – striving for an acceptable level of a particular corporate objective instead of the maximum level – is seen to be the rule, which sets the whole discussion and analysis of the phenomenon of the internationalization of business activities in a very different mental frame from the economics-based approach. Addressing the phenomenon from a behavioral point of view allows appreciation of the internationalization of business activities as a dialectic process (Van de Ven, 1992) thus placing it in the context of the overall business opportunities and competitive forces on one side, and the search processes and satisficing behavior of the company on the other. Approaching internationalization from a behavioral standpoint further highlights the emergent nature of the process in which intended courses of action are seldom realized exactly as planned (Mintzberg, 1978; Mintzberg & Waters, 1985).

Table 1 is utilized to provide a summary of the major differences of the two traditions orientations and to further contrast them.

TABLE 1 Contrasting the two traditions of internationalization study

Economics-based theorizing related to international production	Behaviorally oriented internationalization process theorizing
Maximizing as the rule of organizations behavior	Satisficing as the rule of organizations behavior
Rationality, efficiency the principal consideration	Bounded rationality, uncertainty
One-off disconnected investment decisions	Process characterized by learning through experience
Static models dominant	Moderately dynamic models
Economic outlook of the firm	Behavioral outlook of the firm
Concentration on large firms with large domestic markets in theorizing	Focus on relatively small firms with small domestic markets
Predominantly macro drivers	Predominantly micro drivers, along with macro drivers
Dominantly narrow production bias	Considerations for various modes on the trade – invest (production) continuum
Emphasis on investment as mode of engaging in international business	Considers various non-investment modes of engagement
Dominantly single firm focus	Extends beyond single firm (dyads, networks)

3.2 Internationalization – the strategy connection

The concept of strategy is very popular and highly debated concept among management scholars. For an example of high profile debate between two established figures within the field, Henry Mintzberg and Igor Ansoff, see Mintzberg (1990a, 1991) and Ansoff (1991). There exists numerous, even contradictory definitions of the concept as well as a number of different schools of thought within the field of strategy. The existence of the numerous schools within strategy, or more specifically within strategic management are seen by Mintzberg (1990b) as resulting from the different views held in the base disciplines from which the members of a given school approach the phenomenon paying attention to certain aspects of the total picture while ignoring others. Nevertheless, what is common to the various schools of thought, is their interest in the same issue, that of the determination of how an organization, in its entirety, can best be directed in a changing world (Moore 1992).

Different authors argue over the number of schools of thought in strategic management. Karlöf (1987) considers there are ten distinguishable schools, whereas Näsi (1987) distinguishes between seven schools. Gilbert, Hartman, Mauriel and Freeman assign existence to six schools of thought, while Mintzberg (1990b) assigns existence to ten different schools of thought. Still Chaffee (1985) sees three schools. Also Elfring and Voldberda (2001) assign existence to three synthesizing schools, as does van den Bosch (2001) and Shoemaker (1993). One does not have to search very extensively to find a number of different meanings associated with the concept of strategy in the literature. Just to provide a short, and by no means exhaustive overview of some of the viewpoints presented in the extant literature, consider the following quotes defining the concept:

[Strategy is the answer to questions] What is our business? And what should it be? (Drucker, 1954)

[Strategy is] the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. (Chandler, 1962)

[Strategy is] the pattern of objectives, purposes or goals and major policies and plans to achieve these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. (Andrews in Andrews et. al., 1965)

Strategy is] the common thread among an organization's activities and product/markets that define the essential nature of the business that the organization was in and planned to be in in the future. (Ansoff, 1965, cited in Hofer & Shendel, 1978)

[Strategy is] the essential concept of how a firm is attempting to compete in its environment. (Learned, Christensen, Andrews & Guth, 1965, cited in Porter, 1982)

[Strategy is] the match between an organization's resources and skills and the environmental opportunities and risks it faces and the purposes it wishes to accomplish. (Hofer & Schendel, 1978 [I])

[Strategy is] the fundamental pattern of present and planned resource deployments and environmental interactions that indicates how the organization will achieve its objectives. (Hofer & Schendel, 1978 [III])

[Strategy is] the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities. (Andrews, 1980)

[Strategy is] the framework which guides those choices that determine [organization's] nature and direction. (Tregoe & Zimmerman, 1980)

[Strategy is] a unified, comprehensive, and integrated plan...designed to ensure that the basic objectives of the enterprise are achieved. (Glueck, 1980)

[Strategy is] the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. (Quinn, 1980)

[Strategy is] creating situations for economic rents and finding ways to sustain them. (Rumelt, 1982, cited in Mintzberg 1987b)

[Strategy is] the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. (Rumelt, 1986 following Chandler, 1962)

[Strategy is] a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. (Porter, 1986)

[Strategy means] determining a sense of direction, a set of objectives, for a company and appropriate routes to achieve the objectives. (Brooke, 1986)

[Strategy refers to] the policies and key decisions adopted by management that have *major* impacts on financial performance. These policies and decisions usually involve significant resource commitments, and are not easily reversible. (Buzzell & Gale, 1987)

[Strategy is] the fundamental pattern of present and planned resource deployments and environmental interactions that indicate how the organization will achieve its objectives. (Galbraith & Kazanjian, 1986 following Hofer & Schendel, 1978)

[Strategy is] a plan—some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation...a strategy can be a ploy, too, really just a specific

maneuver intended to outwit an opponent or competitor...a strategy is a pattern—specifically, a pattern in a stream of actions (or consistency in behavior, whether or not intended)...strategy is a position—specifically, a means of locating an organization in what organization theorists like to call an environment ...strategy is a perspective, its content consisting not just of a chosen position, but of an ingrained way of perceiving the world. (Mintzberg, 1987b, emphasis omitted)

[Strategy is] large scale, future-oriented plans for interacting with the competitive environment to optimize the achievement of organization's objectives. (Pearce & Robinson, 1988)

[Strategy is] a set of important decisions derived from a systematic decision-making process conducted at the highest levels of organization. (Gilbert, Hartman, Mauriel & Freeman, 1988)

Strategy is] a deliberate search for a plan of action that will develop a business competitive advantage and compound it. (Henderson, 1989)

[Strategy is] the pattern of organizational moves and managerial approaches to achieve organizational objectives, and to pursue the organization's mission. (Thompson & Strickland, 1990)

[Strategy is] the organization's preselected means or approach to achieving its goals or objectives, while coping with current and future external conditions. (Digman, 1990)

Strategy is] the plot of the firm's action, the string that pulls together the events. (Näsi, 1991)

[Strategy is] the direction and scope of an organization over the long term: ideally, which matches its resources to its changing environment, and in particular its markets, customers or clients so as to meet stakeholder expectations. (Johnson & Scholes, 1993).

[Strategy is] about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. (Porter, 1996)

As the examples above show, there are sound reasons for agreeing with Ansoff on the nature of strategy when he states (1987, 104): strategy is an elusive and somewhat abstract concept. Some, outside academe, are more blunt, or less diplomatic (or maybe just realistic?) than Ansoff in their assessment: nobody really knows what strategy is (The Economist, March 20, 1993, p. 106). For an excellent and comprehensive exposition of the concept's military origin, see Liddell-Hart (1960).

Although differing in terms of the terminology used, orientation towards the issue, emphasis placed on different concepts, and ambitions set for the scope of the definition, the above definitions of strategy share some features in common. Most of the definitions above agree on the basic issue of strategy having to do with the attainment of the goals or objectives of an enterprise.

Thus, strategy is typically seen as providing a means to an end for an organization, typically a business organization. Another feature in common for a number of definitions above is their way of relating the environment around the organization to goal-attainment. It is hence suggested that there is a need for compatibility between an organization's internal resources and its external environment to ensure goal-attainment. Further, more often implicitly than explicitly, the above definitions share a future-orientation: strategy serves as a projection of the aspired-to future of the organization, setting the state to be strived after. Furthermore, the definitions above share implicitly a feature related to goal-attainment: although not stated in any of the definitions above, or more generally in most definitions of strategy for that matter, the taken-for-granted assumption related to the goal of the business organization is the maximization of profit. Strategy is thus seen as a quest for performance, a feature that is often associated with the work of Chandler (1962) and referred to as the strategy – structure – (fit) – performance paradigm of strategic management.

Regardless of the exact wording or terms utilized in defining the concept by different authors, strategy, or more specifically, strategic issues are seen to share some characteristics in common. According to Grant (2002, 17) strategic issues:

- § are important
- § involve significant commitment of resources
- § are not easily reversible.

Pearce and Robinson (1990) add the following features to the list of characteristics of strategic issues:

- § they require top-management decisions
- § they involve the allocation of large amounts of company resources (i.e. people, physical assets, or money)
- § they are likely to have a significant impact on the long-term prosperity of the firm
- § they are future oriented
- § they have major multifunctional or multibusiness consequences
- § they necessitate considering factors in the firm's external environment.

The purpose of this dissertation is not to engage deeply in the debate concerning the right definition of the concept of strategy since finding one is highly unlikely, bearing in mind Mintzberg's (1987b) five categorizing definitions of strategy. As Mintzberg notes (1987b, 20): While relationships exist among the different definitions, no one relationship, nor any single definition takes precedence over the others. Further, it is not the purpose of this dissertation to engage in the search to investigate the deeper nature of strategy formulation and its features – a subject of another heated debate

among strategy scholars subscribing to different schools of thought. Instead, what is required for current purposes is to specify in what sense the concept is used, and in which context. Here, again, the different definitions of the concept provided by Mintzberg (1987b) are of help in clarifying in what sense of the word strategy is utilized in this dissertation, and what/which meaning(s) is/are assigned to it. *The term strategy is understood and used in this dissertation as a mix of Mintzberg's definitions of strategy as pattern, and strategy as position (ibid.).*

Perceiving strategy as pattern brings action to the fore. Mintzberg reminds us that without taking behavior into account, the concept of strategy is an empty one. Further, perceiving strategy as pattern focuses attention on the way in which strategies actually followed by organizations come about. Mintzberg distinguishes between intended and realized strategies, and between deliberate and emergent strategies (Mintzberg & McHugh, 1985; Mintzberg & Waters, 1982, 1985; Mintzberg, 1987b). In the current dissertation perceiving strategy as pattern comes naturally, as the behavior of the companies studied is retrospectively reconstructed, and the consistencies in their behavior are seen as an indication of strategy, specifically that of realized strategy resulting from both deliberate and emergent strategies. In retrospectively reconstructing the strategic behavior of the companies studied what is of interest are the discernible outcomes of strategy implementation as they have unfolded over time.

In addition to seeing strategy as pattern, strategy is also variably perceived as position. In perceiving strategy as position, according to Mintzberg (1987b), it becomes the mediating force between an organization and its environment. Thus, it forms a bridge between the inner and outer contexts of the organization. Mintzberg (1987b) further notes that definitions of strategy as pattern and position are compatible with each other: position can be reached or, as he suggests, even found, through a pattern of behavior. As position may be defined either with respect to one or more competitors, seeing strategy as position places it in a dynamic context. In addition to competitors, position may be defined with respect to markets or the environment at large (e.g. Porter, 1980, 1985). Thus, perceiving strategy as a mix of pattern and position gives room for considerations of both the environmental and managerial influences on the strategy of a given organization.

Although having just stated above that it is not the intention of this dissertation to engage in the debate of the right definition of strategy, and with the additional risk of adding to the confusion surrounding the concept, a working definition of strategy utilized in this dissertation will, nevertheless, be provided. *Strategy is seen to be resultant of a string of essential decisions made by the top management of a firm: strategy manifests itself in the discernible continuity of action of the firm.* The working definition is in accordance with the above discussion regarding how the term strategy is perceived in this thesis. The

definition takes into account both the inner and outer context of an organization and appreciates also the intended and realized nature of strategy.

Regarding the context of the usage of the concept of strategy, there are traditionally different levels assigned to strategy in accordance with the hierarchies found in organizations. Most often the levels used to distinguish between the different levels of strategy are: corporate (or grand) strategy, business (or competitive) strategy, and functional strategy (e.g. Andrews, 1965, 1980; Ansoff, 1965, 1987; Hofer & Shendel, 1978; Abell, 1980; Pearce & Robinson, 1988; Digman, 1990; Grant, 2002 among others). Some add to these levels either operational (e.g. Thompson & Strickland, 1990 among others) or enterprise strategy (Ansoff, 1965; Digman, 1990). The important distinctions between the levels of strategy for the current dissertation are those between corporate strategy and business strategy.

Examination of the strategic behavior of Finnish forest industry companies in the three articles included in this dissertation takes place for the most part at the corporate strategy level. In consequence the interest in the internationalization development of the companies is placed at the corporate level, and attention in the examination of the internationalization development of the companies studied focused on the whole industry, rather than on individual industries, although at times the examination deals with issues of business strategy as well. Here I would like to refer to the features associated with strategic issues identified by both Pearce and Robinson (1990) and Grant (2002) above which portray quite clearly a corporate strategy orientation to the issue.

Following the definition distinguishing between corporate and business strategies by Hofer and Shendel (1978, 15): corporate strategy addresses the question, What set of businesses should we compete in? ... [while] business strategy addresses the question, How should we compete in the XYZ business? , a distinction between the levels is made in the current dissertation. Hofer and Shendel (1978) provide the primary components or functions of corporate strategy: the scope and resource deployments among businesses. They further conclude that while corporate and business strategies (and functional strategies) are distinct, they should fit together to form a coherent and consistent whole for an organization wishing to be successful in the long run.

Also Hill and Jones (1988, 281) stress the importance of compatibility between the levels of strategy, and the link that corporate strategy provides for competitive advantage at the business level. In their view, corporate strategy helps in establishing distinctive competency and competitive advantage at the business level. Grant (2002, 24) further provides examples of corporate strategy decisions by stating: corporate strategy decisions include investment in diversification, vertical integration, acquisitions, and new ventures; the

allocation of resources between the different businesses of the firm; and divestments. Furthermore Grant provides guidance as to where in the organizational hierarchy corporate strategy decision-making takes place (ibid., 24): corporate strategy is the responsibility of the top management team, supported by corporate strategy staff. Thus, the working definition of strategy provided above, in line with the preceding discussion related to the distinction between corporate and business strategy, places the definition of strategy at the corporate level.

To sum up and to explicate further the suggested linkage between strategy – corporate strategy in particular – and internationalization, the decision-making related to the international involvement of a company clearly meets the criteria outlined above, making international involvement decisions an issue of corporate-level attention. Whether international involvement decisions are treated as a sub-category of diversification decisions as in Ansoff's original edition of *Corporate Strategy* (1965), or as a slightly modified distinct category within the geographic growth vector of a given company, but still basically as a diversification decision, as in the revised edition of the original (1987), it may be concluded that *due to their nature of expanding the scope of business activities, internationalization decisions are clearly matters of corporate strategy nature.*

Ansoff (1987, 125) sees internationalization, especially the first step, as a discontinuous strategic move because of the economic-political-cultural differences faced by the firm as it moves away from its geographical home base. He goes on to describe the first move in internationalization as a two-step discontinuity from the internationalizing firm's present business. Internationalization signifies a discontinuous strategic move as it may include not only penetrating a new country, but also introducing novel technology to its markets, thus making a break with the past experiences of the firm on two fronts simultaneously. Ansoff sums up his views on internationalization and its strategy implications as follows (1987, 126):

1. Internationalization and domestic diversification are alternative routes for expanding a firm's portfolio.
2. With the exception of internationalization in which the domestic and the foreign needs, as well as domestic and foreign technology are related, internationalization is much more difficult and costly than diversification. This is because internationalization involves much more drastic departures from the firm's past experience and competence than similar intranational diversification alternatives. As a result, internationalization is much more risky than diversification.
3. Therefore, the firm should give preference to diversification except in cases in which the firm's objectives cannot be met through diversification.

Internationalization to Ansoff is thus a risky, costly, and – competence-wise – challenging choice, a view that is closely held in most contributions to the international business literature as well. To interpret Ansoff's thoughts,

internationalization should, for the reasons given, be avoided if possible, and the domestic diversification route chosen instead. Again, if we were to recall some of the characteristics associated with strategic issues by Grant (2002), and Pearce and Robinson (1990) above, they would be in harmony with Ansoff's view regarding the strategic nature of internationalization.

What makes internationalization a strategic issue is that it typically involves considerable allocations of resources, bears significant implications for a company's future prosperity, necessitates consideration of numerous environmental factors, and requires top management involvement. In addition, the fact that internationalization decisions are not easily reversible highlights their strategic nature. Taken together, the features associated with internationalization discussed above make decisions concerning it important, that is, essentially to do with corporate strategy. To conclude the discussion related to strategy, internationalization and change, and their connections in the current dissertation, Figure 12 is used to outline the central elements and their connections.



FIGURE 12 The central theoretical fields and elements of the dissertation

As the figure suggests, the current dissertation falls into an overlapping area between the fields of international business and strategic management. Hence, it utilizes some of the central lines of theorizing found within the two fields as an ideational background for examining and analyzing the internationalization development of Finnish forest industry companies. Furthermore, as the figure would also suggest, an important underlying element in the dissertation, the

role of which has been stressed repeatedly in the preceding discussion, is time. As a number of simultaneous processes within a group of organizations are central to this dissertation, time is an essential consideration that sets the basic tone for examination of the phenomenon studied. Examination is thus marked by a longitudinal and historical orientation, and for the processes studied, change in some form is a characteristic feature.

While the dissertation as a whole falls into the overlapping area between the fields of international business and strategy, the individual articles included in the dissertation draw from fields of theory outside these two main fields as well. The internationalization of Finnish forest industry companies is addressed through theoretical viewpoints offered by various theoretical domains other than the behaviorally-oriented internationalization process, economics-based international production, and various streams of strategy literatures in order to shed some additional light on the phenomenon studied. The additional domains which the articles variously draw upon are business systems literature, institutional efficiency theorizing and business and society literature, which, when combined with internationalization and strategy literature, offer new perspectives on the phenomenon of internationalization of business activities.

Furthermore, based on the preceding review of literature and the perceived shortcomings in the extant literature on the internationalization of business activities, it is suggested that the current dissertation as a whole and the articles included in it individually attempt to remedy some of the shortcomings. In particular, by combining lines of thought found within the two traditions of internationalization literature (behaviorally-oriented, economics-based), although relying mostly on the behaviorally oriented tradition, a more holistic and comprehensive picture of the complex phenomenon and forces at work within it is aimed at. In addition, one major advantage over many contributions in the field is obtained in this study by studying only companies within a single, relatively homogeneous industry. Many other prior contributions to the field have analyzed and built their theorizing on the internationalization of business activities by drawing their evidence from multiple industries with differing logics. This may be one major cause for the lack of clear-cut patterns of internationalization processes in firms, something which critics of the behaviorally-oriented school have aimed their critique at. It is felt that instead of searching for universal law-like theories and models, more context-sensitive theories and models should be the aim.

PART III: DISCUSSION AND REFLECTION

4 SYNTHESIS OF THE PROPOSITIONS, FINDINGS AND CONTRIBUTIONS OF THE ARTICLES

This last part of the dissertation provides a synthesis of, and reflection on, the findings of the three articles above. Further, it presents a discussion of some of the suggested contributions of each of the articles to both theory and practice. In addition, a discussion of the limitations of the current research and some implications for future research will be provided in this concluding section. The discussion below proceeds in the same order as the articles appear in the dissertation for reasons of clarity of presentation, although the actual order of the overall research process was different as mentioned in section 1.3 above. Although the discussion proceeds in a different order to the actual research process, I attempt to provide a basis to explicate the development of my own thinking related to the phenomenon studied, and to clarify the connections between the articles and their contributions in what follows.

4.1 Internationalization of a Key Industry: Implications for a Business and Society Relationship s Development – Case Finland

The first article in chronological terms (Effects of Substantial Operating Environment Changes on Mode of International Operations) – discussed in section 4.2 below – provided an important unanswered question for the article dealt with here. The question needing to be addressed in more detail was on the one hand: how has the internationalization of this key industry affected Finnish society? On the other hand, an additional question to be addressed was: how has society affected the internationalization process of the forest industry companies? It was demonstrated in the earlier article, much in the same way as Hellgren and Melin (1992) do in the case of Swedish pulp and paper industries, that the operational focus of the Finnish forest industry was showing signs of

shifting from its traditional locational base in Finland to outside of Finland in the late 1990s, and because of this trend, the above questions became intriguing ones to explore. The article posits internationalization development as a major force affecting the business and society relationship of the forest industry and society at large. The central ideational background for the exploration of the issue in the article is provided in the form of a question posed by Wood (2000, 373): If a firm behaves in particular observed way, what happens to individuals, groups, and societies with which it is in relationship?

The article starts out by portraying a picture of the profound reliance of Finnish society on the forest industry for the development and prosperity of the nation, and further describes the relationship between the industry and society as one characterized by mutual interdependency. The article then goes on to present the historical roots of the establishment of this long-standing arrangement between the forest industry and society. The period from the latter half of the 19th century to the early 20th century is established in the article as the era of the emergence of the business and society relationship in its currently recognizable form. Overall, the importance of the forest industry for Finland is naturally far more long-standing than one and a half centuries, however. The article discusses the importance of the industry for Finland and proposes that forest products have been the dominant export ever since the 16th century as a result of favorable preconditions, and that the relatively recent rise of the pulp and paper industries was due to the integration of early sawmill companies forward in the production chain into the production of pulp, and later into the production of paper. For similar discussion related to the transformation of the Finnish forest industries production orientation see for example Myllyntaus (1989), Ojala (2001a), and Lamberg (2001a, 2001b) among others.

After discussing the overall importance of the forest industry to Finland, the focus of the examination centers on the aim of describing and analyzing some of the diverse relationships between the industry and various parts of society. The article describes and analyses five distinct relationships between the industry and society in more detail. The relationships examined in the article are: 1) the relationship between the industry and society at large, 2) the relationship between the industry and private forest owners, 3) the relationship between the industry and the state, 4) the relationship between the industry and the banking system, and 5) cooperative relationships between the companies within the industry. The article relates the distinct ownership and governance system in Finland – the involvement of both the Finnish state and banks in the forest industry as significant owners – to the effects of the late industrialization of Finland. In addition, the state's initial involvement in the forest industry is portrayed in the article as a practical necessity because of the magnitude of the investments required, and because funds for investment were scarcely available in a country having just won independence. Further, the article discusses the

effects of late industrialization on the financial system, and finds that the central role of banks within the Finnish system is in accordance with the findings of economic history suggesting that countries late to industrialize typically develop financial systems in which the banks and the state assume an important role (cf. Arestis, Demetriades & Luintel, 2001; Gerschenkron, 1962; Pedersen & Thomsen, 1997, 1999). Furthermore the article describes the mechanism through which the Finnish state became such an important actor within the Finnish forest industry and several other capital-intensive industries, such as the basic metals, petrochemical, energy, engineering and chemical industries, and assigns a central role in this development to the state's ambitions of achieving social progress.

Having laid out the emergence of the business and society relationship, the article proceeds to analyze the role of private forest owners as an important subgroup in the development of the same. The bond between the large private forest-owning population and the forest industry is portrayed as a relationship characterized by mutual dependence, and the development of this mutual dependence is associated with the large number of private forest owners and their close connection to the Finnish political system. Further, the article discusses the development of the relationship between private forest owners and the industry, and refers to the institutionalized collective price negotiations system as one major mechanism sustaining the mutual dependence and the balance of power between the parties involved in this particular relationship. The article also presents some recent changes in the relationship between private forest owners and the industry. The article associates the rapid increase in imports of wood from the late 1970s onwards as an attempt by the industry to reduce its dependence on the domestic wood controlled by private forest owners, and to secure a supplementary source of raw material as a back-up for periods of instability. More recently, in addition to the previous motives for imports of wood, the limits of availability of certain grades of wood raw material in Finland have been met, and the only feasible means available for the industry has been to resort to importing to secure its raw material needs. Despite the attempts of the industry to alleviate its dependence on the domestic raw material supplied by private forest owners in Finland, the article perceives the relationship between the industry and forest owners as one of major importance for the industry's future, and suggests that it is in the interest of the industry to manage this relationship with great care to secure the future collaboration of Finnish private forest owners.

After discussing the central relationship between the industry and private forest owners, the article turns its attention to describing another important relationship, that between the industry and the state of Finland. The description and analysis of the relationship is divided into two lines and the article distinguishes between the two roles of the state in its relationship with the

forest industry, those of facilitator and player within the industry. Building its examination on an institutional frame of reference the article discusses the various facilitator roles the state has served in its relationship with the forest industry by paying special attention to education policy and energy policy. Following Douglas North's (1990) suggestion that organizations invest in knowledge and skills that are perceived to produce the highest payoffs in a given institutional framework, the article addresses the role of the state as a provider of educational services, the role of the industry as an influencer in decision-making related to education policy, and notes how the forest industry has been able to advance its interests in the design of education and training policies through the political system. The article perceives this influence to be most clearly manifested in the publicly-funded education system in which education and training directed to serve the needs of forest industry, and – more generally – of the forest cluster, play an important part at all levels of the system. The article highlights the pivotal importance of energy policy considerations for the industry by pointing towards the industry's electricity consumption, which accounts for over half the total electricity consumption of Finnish industry as a whole. Against this background the article makes the strong support of the industry for additional nuclear power in Finland perfectly understandable.

In addition to the facilitator role the article assigns the state another role too, that of major actor in the forest industry through two state-owned companies. The article describes the state's involvement in the forest industry as a competitor, an activity that could be characterized as a mishmash of business and policy considerations. State-ownership, and thus the policy-driven governance of both Enso-Gutzeit and Veitsiluoto are perceived in the article as a major hindrance adversely affecting the performance potential of the companies in question. Although both companies had powerful CEOs at the helm who at times were seen as ignoring the will of the owner altogether, in the end it was the state-owner calling the shots – albeit this often happened as a forced decision as is discussed in the article. For a more comprehensive description of the state sphere's mode of decision-making related to the two state-owned forest industry companies, see Näsi, Ranta & Sajasalo (1998) covering several episodes in which the state-owned companies clashed both with the other Finnish forest industry companies, and with each other.

An additional important feature of the business and society relationship's development vis-a-vis the Finnish forest industry, that is, the cooperative arrangements within the industry and between industries related to the forest industry, is addressed in the article. The research and development functions of the forest industry companies conducted at the jointly-owned research unit, the Finnish Pulp and Paper Research Institute, are taken as an example of the long tradition of cooperation. Cooperation of a technical nature at the pre-

competitive stage in the Finnish Paper and Pulp Research Institute setting is considered a prime example of the Finnish tradition of cooperation between competitors, in addition to the joint marketing practices discussed in more detail above.

Apart from the examples discussed in the article, other fields are identifiable in which Finnish forest industry companies have traditionally been in close cooperation. In their analysis of the Finnish forest sector's role within the Finnish business system Lilja, Räsänen and Tainio (1992, 148) pick out the following: cooperation in wood procurement, cooperation in the transportation of raw wood and export deliveries, and cooperation in regulating investments. Thus, overall the cooperation between competitors has been wide-ranging, covering the whole production chain. The article further addresses the issue of knowledge creation within the larger entity of the Finnish forest cluster from a resource-based view and concludes that the forest cluster with its related and supporting industries forms a tightly-knit network of critical resources on which the sustainable competitive advantage of the Finnish forest industry companies rests.

Figure 13 presents the overall setting of the article: it outlines the central entities analyzed and the constituent relationships in the overall business and society relationship between the Finnish forest industry and Finnish society. In the following an overview of the findings of the article related to the development of these relationships, and thus the overall business and society relationship, is presented with special emphasis given to the impacts of the internationalization of the industry on the evolution of the said relationships.

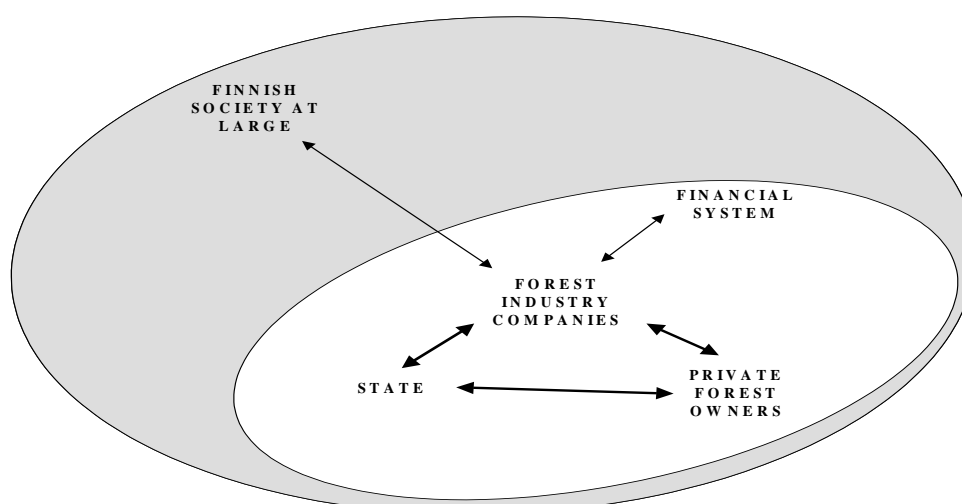


FIGURE 13 The relationships analyzed in the article

The article maintains that the forest industry may well be regarded as one of the major forerunners in the fast-paced process that turned Finland from a relatively closed economy into an open economy/society during the past two decades, and stresses the importance of the internationalization process of the industry as a key driving force in the process. By utilizing the increase in foreign production as an indication of the internationalization of the industry it is discovered in the article that the internationalization of the industry has proceeded very rapidly: over the past two decades foreign production in the industry has increased twenty-four-fold. The article further discusses the consequences of the internationalization of the industry on the central tripartite relationship between the industry, Finnish private forest owners and the state, portrayed in Figure 13 as the foundation of the business and society relationship.

The article presents an analysis of the development of the interconnected relationships within this trinity and makes the claim that the interwar period was of pivotal importance in the development referred to as the institutionalization of interdependence between the industry, state and private forest owners. This institutionalization of mutual interdependence between the parties is seen to be due to the industry's intense capacity expansion and the resultant initial wave of consolidation within the industry that markedly increased its relative importance for the future prosperity of Finland during the interwar period. The article further suggests that having been institutionalized the close interdependence of the trinity persisted for well over fifty years, until the start of an increasingly intense period of internationalization from the mid-1980s onwards that changed the relationships between the members of the trinity in some senses. The article considers that, overall, the evolution of the business and society relationship between the industry and Finnish society is closely tied to the evolution of the interdependence of the members of the trinity.

Figure 14 presents the findings of the article related to the development of the business and society relationship and the evolution of the interdependence of the members of the trinity in schematic form in order to summarize the developmental phases the business and society relationship has passed through over time. The article posits that the relationships between the members of the trinity changed as a result of the internationalization development of Finnish forest industry companies. The faded and dotted arrows in the last phase between the constituent members of the trinity in Figure 14 represent this development, and are intended to convey the meaning of the reduced intensity of interdependence. The jagged arrow between the industry and forest owners in the first phase represents the contentious nature of the forest ownership issue between the parties.

established in new geographical locations. The article further maintains that not only did the outward internationalization process through which the companies geographically expanded their operational scope moderate the dependence of the industry, but this dependence was also reduced by the deliberate process of inward internationalization (e.g. Luostarinen, 1978a, 1979; Welch & Luostarinen, 1988; Korhonen, 1999) that manifested itself most notably in the quadrupling of the amount of imported wood in a matter of twenty years. The article further discusses the changing relationship of the industry and forest owners in the light of changes brought about by the dismantling of the traditional centralized wood price negotiation system and its possible effects on the distribution of power between the companies and forest owners. Two alternative scenarios for the redistribution of power are proposed: one in which the balance is tilted to the advantage of the forest owners as a result of companies being compelled to compete for the most attractive lots outside their traditional procurement areas, and another in which the companies assume the dominant role in price negotiations with forest owners due to their suggested ability to utilize monopsonistic power in given less attractive local markets.

The discussion related to the relationship between the industry and forest owners reflects the central significance given in the article to concerns linked to securing a constant flow of raw material by the industry. In this discussion related to raw material lies a practical implication of the article. Being a natural-resource-based industry, the importance of securing an adequate supply of raw material in an ecologically sustainable manner is of the utmost importance for the forest industry. This highlights the significance of the inclusion of the natural environment as an important factor in managerial decision-making, which it has not typically been from the viewpoint of management theory. Historically the natural environment has not played any kind of major role in management theory: its role has, in fact, been virtually nonexistent (Hart, 1995; Shrivastava, 1994; Stead & Stead, 1992). It has been suggested recently that in the future businesses will inevitably be constrained by, and be dependent upon, ecosystems (Hart, 1995) and it seems that this is especially true in the case of natural-resource-based industries, such as the forest industry. In fact, this state of affairs may be perceived to have been an unavoidable reality for the industry to cope with for quite some time now (see e.g. Näsi & Näsi, 1993; Näsi, Näsi, Phillips & Zyglidopoulos, 1997; Näsi, Näsi & Savage, 1998). This places the forest industry in an advantageous position in the future in relation to the social acceptability of the line of business compared with many other industries traditionally regarded as smokestack industries: a mental frame already exists within the industry that takes the natural environment into consideration as an important factor. Thus, provided that the industry is capable of communicating the environmental impacts of its activities to the general public, it is possible for the industry to demonstrate the environmental sustainability of its operations

overall, and to sustain social acceptance of its business activities amongst society at large.

Another practical implication that may be inferred from the discussion related to raw material in the article is that due to the natural-resource-dependent nature of the forest industry the companies within the industry may be considered far less footloose in their operations than has been suggested recently within international management literature, where it is commonly held that companies operating in the knowledge-intensive industries in particular are quick to relocate not only their manufacturing operations in search of the lowest cost (see e.g. Root, 1984) but also their research and development functions in search of more advantageous conditions (Bloom & Griffith, 2001; Galbraith & De Noble, 1988; Vernon, 1979). The same theme is echoed particularly within globalization literature where the notion of capital mobility and its sovereignty-reducing effects on nation states has gained popularity (cf. Andrews, 1994; Frieden, 1991; Webb, 1991). It has been suggested that in addition to the growth in volume of foreign direct investment, the mobility of such activity is a future trend typified by the search for best obtainable return on investment leading to investment behavior in which new investment in a given location results in the shutting down of operations in another location (Mudambi, 1998).

This kind of increased mobility, however, is less pronouncedly present in the case of the Finnish forest industry according to the findings of the article: the international expansion of the industry through foreign direct investment has not resulted in proportionate closures in Finland. This may be perceived to be due – in addition to the more obvious raw material considerations in location decisions – to the long lifespan of a typical production machinery investment within the industry (Airaksinen, 1999; Sierilä, 1986), which may extend up to several decades. Thus, based on the findings of the article related to the Finnish forest industry, it may be concluded that in the case of natural-resource-dependent industries characterized by high capital intensity and high asset specificity such as the forest industry the initial investment very often leads to path-dependent processes that are not easily reversed or redirected, or if so, only at very high cost, which substantially reduces the likelihood of footloose investment behavior. The above conclusion is in accordance with the findings of Farness (1968) when he concludes that forest industries are among the least footloose of all the 50 industries covered in his study.

To conclude the discussion of the article some central contributions and findings contained in it are reflected upon in the following. First, as the article examines the internationalization development of a key industry in a small and open export-dependent economy it may be seen to portray some of the typical features of the Nordic stream of studies in international business (see e.g. Björkman & Forsgren, 1997, 2000), and to function as a contribution to the

ongoing stream of research addressing the specific features of companies with a small and open home country background which have undergone international expansion.

In addition to making a contribution to discussion of the country-of-origin effect, the article may be seen to contribute to the institutional efficiency discussion found within the business systems school (see e.g. Whitley, 1990, 1991) in that it analyzes a variety of long-standing institutional arrangements and their changing status, and links the change in the institutional arrangements to the key industry's internationalization development. A key finding of the article in relation to the institutional arrangements transformation is that the internationalization of the industry was a central factor profoundly altering the previously prevalent institutional arrangements between the parties involved. Further, the article makes a contribution to the field of business and society research not only by analyzing a distinct national business and society relationship and its development over an extended period, but also by taking a topical viewpoint on the development of the relationship by placing it in the internationalization context.

Furthermore, the finding of the article related to the industry's attempt to reduce its dependence on Finnish private forest owners for its raw material supply through the import of wood links the article to the ongoing inward – outward connection discussion found within process-oriented internationalization research. The article expands the scope of the inward internationalization phenomenon from a phenomenon primarily associated with the early stages of the internationalization of smaller companies as a route to an outward internationalization path (e.g. Welch & Luostarinen, 1993), to the later stages of internationalization of experienced and larger companies as a deliberate strategy of international involvement. Overall the article may be considered as an attempt to expand the examination of the internationalization phenomenon from a firm-level phenomenon into a phenomenon with wide societal implications. In addition, the article provides at least a partial answer to the question of *why* internationalization?

4.2 Effects of Substantial Operating Environment Changes on Mode of International Operations

The article serves as a point of departure for the whole dissertation, as discussed briefly in sections 1.3 and 4 above. From the point of view of the overall research process leading to the current thesis, the article may well be seen as an early attempt to gain a grasp of the general setting of the Finnish forest industry as it stood at the time, in late 1998. In addition, the article could be viewed as an attempt at framing some of the changing relationships of the

forest industry and its economic and institutional surroundings. Central to the achievement of both attempts above was study of the developments that had taken place, and were unfolding at the time, as historical, longitudinal processes in which there were multiple influences present affecting the outcome of the process. The processes of interest thus clearly displayed dialectic features (Van de Ven, 1992). Hence, the first article – in actual chronological order – already contained the germ of the underlying idea regarding the need to incorporate the context of the development processes studied into the analysis. This idea surfaces in more concrete terms in the subsequent articles, which also included in the dissertation.

In accordance with the dialectic process theory adopted, although not explicitly stated and termed that, the article approaches the issue of change at the different levels of analysis specified through an implicit equilibrium view. The adopted point of view of addressing the issue of changes affecting the Finnish forest industry emphasizes the interconnectedness of (economic) phenomena throughout the hierarchy of global, national, industry, and firm levels. Some might interpret this viewpoint as economic determinism, but it is not the intention of the article to propose such determinism. Instead, the activities of various actors in the hierarchy are seen to loosely define the boundaries for action at the next level lower in the hierarchy, but not defining them in such absolute or irrefutable terms that would be beyond the influence of the actors at the focal level of the hierarchy.

By taking a regional view of the issue of change at the global level the article raises the regional struggle between the established and emerging forest industry regions as a central force of change affecting not only the Finnish forest industry, but also other major established forest industry regions. Central to the regional standpoint adopted is the position that although the markets for forest-based products may be considered global, the industry setting is more regional in nature. The leading companies in the major geographical regions with the highest consumption of forest industry products (North America, Europe, parts of Asia) have fortified their positions in their home regions and thus the competition for power and dominance is mostly of the within-region type. This within-region nature of the competition is further linked to trade blocks and their role in international trade as safeguarding regional interests. The article presents a discussion of the likely developments related to the competitive setting, and posits that the major emerging, or challenger regions that are likely to disrupt the balance, in the medium to long range, are to be found in South America and Southeast Asia. The article further argues that companies operating from these emerging forest industry regions are able to rely on the favorable factor endowments of the regions, especially those of low-cost raw material and labor, as the main sources of their competitive advantage. Furthermore, one of the central claims of the article related to changes at the

global level is that due to the strengthening positions of companies operating from the challenger regions, the global competitive setting of the forest industry is gradually changing and interregional competition intensifying.

As discussed above, the changes at the next lower level, the national level, are seen to be closely interconnected with changes taking place in the global operating environment of the industry. The article portrays the forest industry as one of the central linkages between the national economy of Finland and the global economy, and picks out three national-level phenomena that embody major changes and discusses their impacts on the Finnish forest industry. The changes identified are: 1) change related to the business cycle of the industry, 2) structural change, and 3) change in the intervention policy of the Finnish state. The first change is more obviously and directly linked to the global-level phenomena of economic growth, and the resultant level of economic activity, whereas the second, although it too has linkages to development at the global level, is more indirectly a consequence of the global-level change. The third change reflects European economic integration. In addition, the first identified change is temporally the result of a more short-term development, while the latter two are resultant from a more long-term development. For a related, more general discussion of the effects of economic integration on the competitive setting of Finnish companies, see Hansén (1999).

The article discusses the cyclical nature of the industry, the recent change in the pace of the business cycle, and presents two major strategic reactions of the Finnish forest industry companies in response to the cycle roller-coaster characteristics of the industry in the late 1980s and early 1990s. These reactions, the attempt to achieve additional growth, and the attempt to strengthen financial standing to generate assets as a back-up for the downturn are connected with one another, and may be considered contradictory goals, but all the same were directed at meeting the challenges posed to the companies by the increased volatility of the business cycle. Further, the article presents some implications of a structural change affecting the forest industry and its overall standing among other Finnish industries. The article notes much in a similar vein as Hernesnimi, Lammi and Ylä-Anttila (1995) in their analysis of the national competitiveness of Finland that the role of the forest industry, and the forest cluster in general, is declining in relative importance. As an indicator of this, the article brings to the fore the declining share of Finland's total exports accounted for by forest products. It needs to be noted, though, that the share of total exports accounted for by forest products is a very crude indicator, misleading even, of the development, due to the increased foreign production of the industry.

The last major change singled out in the article as affecting the forest industry at the national level, the policy change of government related to exchange rate interventions, may be seen as symptomatic of the changing role

of the state as the ultimate guarantor of national industries. This theme has been analyzed more generally in the Finnish context in a research project analyzing the impacts of globalization on Finnish society at large (see Väyrynen, 1999). The article posits that the recurrent devaluations of the Finnish mark in the decades prior to committing to the European joint currency benefited forest industry companies in two ways: as a means of defending market shares gained, and as a means of gaining additional market share, although the advantages of these devaluations were relatively short-lived.

Although the phenomenon of concentration was brought up originally in connection with national-level changes in the article, it is more natural to discuss the issue at the next level lower in the hierarchy, in the industry context. The article outlines as a central change at the industry level the concentration process through which the industry structure was molded from a group of twenty relatively small-scale forest industry companies in the mid-1980s (see Näsi, Ranta & Sajasalo, 1998) into the remaining three major companies Stora Enso, UPM-Kymmene, and M-real (with its alliance partner Myllykoski). Further, a change that is approached as an aggregate industry-level strategic choice, the redirection of production towards higher value-added grades is discussed as an industry-level phenomenon distinguishing the Finnish forest industry companies from many of their main competitors.

The article concludes its analysis of the changes in the operating environment of the Finnish forest industry companies by considering a marked change at the firm level, the change in the ownership structure of the forest industry companies, which is picked out as the one change having a major impact on the companies at the firm level. The article approaches the recent change in the ownership structure of the companies from sphere control to more dispersed ownership structures that characterize modern market economies by describing the major changes in the ownership structure of the remaining Finnish forest industry companies prior to the late 1990s. As a separate phenomenon in the ownership structure change of the companies the article presents the share of foreign ownership, thus touching on the issue of the internationalization of ownership, which is seen as part of the wider worldwide economic integration, a phenomenon that is seen to be growing in importance.

Having set out some of the central changes at different levels in the operating environment of the Finnish forest industry companies, and by using them as a background for the following analysis, the emphasis in the article shifts to the description and analysis of marketing associations as the central mode of engagement in international business by Finnish forest industry companies. A short overview of the initial developments leading to the establishment of the marketing association institution is presented. The article assigns a central role in the establishment of the marketing associations initially to the external pressure caused by the Russian Empire's fiscal policy change,

and later in 1917 by the Russian revolution that necessitated a redirection of sights for the Finnish forest industry companies. Further, the article describes how after their establishment the marketing associations, the two most important of which were the Finnish Paper Mills Association (Finnpap) and the Finnish Pulp Mills Association (Finncell), functioned as the worldwide export channels of their member companies and considerably lowered the sales and marketing costs incurred by the individual companies.

The article makes a central claim regarding the role of these associations: by jointly performing the marketing functions of the member companies the marketing associations provided advantages typically possessed by only large companies to a group of relatively small companies, and by doing so the marketing associations served as a crucially important vehicle for indirect internationalization of more markets than would have been possible for any single company alone. Thus, the marketing associations enabled the small companies to reap the benefits of covering presence in major markets, while lowering the risks associated by sharing them among the member companies. Smallness has been found to be a factor limiting the number of markets served (e.g. Calof, 1993 among others). For a related discussion of the role of Finnpap vis-a-vis its member companies, and a comprehensive historical account of the whole lifespan of the Finnish Paper Mills Association, see Heikkinen (2000).

Regardless of the considerable and indisputable benefits of the long-established mode of engagement in international business through the marketing associations there were some major disadvantages related to the marketing associations as export outlets brought about by the changes in the operating environment as discussed in the article. Economic integration, globalization, the threat posed by emerging forest industry regions, the increased volatility of the business cycle, the concentration of the industry through mergers and acquisitions, the shift to higher value-added grades, the changing ownership structure, and the increasing and deepening internationalization of the companies exacerbated the disadvantages of indirect involvement, and as a result of the changes in the operating environment companies began to adopt a more customer-oriented approach in their operations. This, it is proposed, led to the quick erosion of the marketing associations as the primary mode of engagement in international business operations.

To address the disadvantages of indirect involvement from the point of view of information flows and knowledge creation, both central considerations in the internationalization process theorizing, it may be stated that international business operations through intermediaries such as marketing associations markedly hamper the flow of information and creation of knowledge regarding the international operating environment. The marketing associations formed points of filtration in the process of experiential knowledge accumulation by

cutting off the companies from direct contact with customers in their main businesses. Figure 15 outlines the major flows associated with the mode of operation through the marketing associations with special emphasis placed on the flow of information.

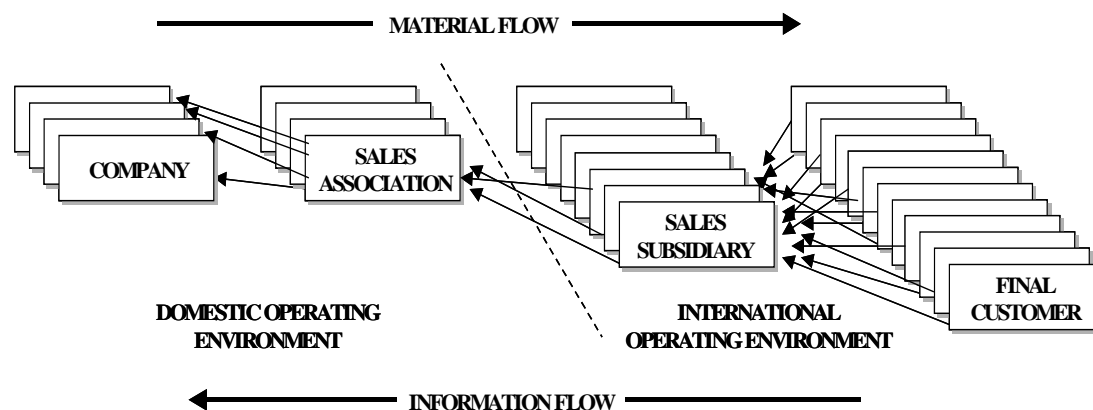


FIGURE 15 Material and information flows

From the point of view of the information flow, the gaps between the company and the final customer occupied by sales associations and their sales subsidiaries represent important points of filtration. The processing of market information related to the international operating environment by sales subsidiaries and further by a sales association before it is transmitted to the individual company leads almost inevitably to a certain loss of information, and at the very least operating through multiple intermediaries leads to a reduction in the experiential learning prospects of the companies. Thus, seen against the background of internationalization process models, the construction of parallel marketing networks by the companies, although varying considerably in their scope, could be perceived as an attempt to overcome the information flow problem, and to facilitate the accumulation of experiential knowledge of the international operating environment. In addition to this apparently oversimplified interpretation of aspirations to the construction of company-controlled marketing networks, the article implies some supplementary conditions. Due to the concentration and the resultant growth, the remaining Finnish forest industry companies may be seen to have overcome the initial disadvantage that led to the joint marketing practices in the first place, in other words smallness, by the late 1980s and early 1990s. Further, the changes in the operating environment of the forest industry companies were directing development in the same direction, towards company-controlled marketing networks due to strategic considerations, intensifying competition, and

developments within the clientele of the forest industry companies, namely concentration within the major customer industries publishing and printing.

The article concludes with a discussion concerning the implications of the changes studied over the past decades and developments to which they have led, and are seen to be leading in the foreseeable future. Some theoretical implications related to the change in the mode of international operations are also discussed, as well as the applicability of internationalization process models to addressing this change in the Finnish forest industry context. The article proposes some trends in the future development of the forest industry companies, not only in Finland but also worldwide. One of the propositions made is that the major companies within the industry, striving for prominence, are forced onto a trajectory of continued growth due to the fact that the scale of investments required to stay simply among the major companies let alone succeed in the intensifying competition is getting proportionately larger. This in turn leads to another suggested trend within the industry: as it is getting all the more expensive to stay in competition, the strategic options available for companies unable to grow into major contenders are very limited. The prevalent situation is seen as an indication of further prospects for concentration within the industry, and it is further suggested that there remains substantial potential for future mergers and acquisitions within the European forest industry. Another trend proposed in the article is that of the shifting balance of operational scope of the Finnish forest industry. As an indication of the shifting balance the article points to the distribution between foreign and domestic investments which for the first time in history tipped in favor of foreign investments in 1997.

The finding related to the fast erosion of the marketing associations as a means of engaging in international business in the mid-1990s bears with it an important practical implication for the Finnish forest industry. The fast erosion of the marketing associations role would suggest the growing importance of the distribution channel as a competitive weapon for the forest industry companies. It is further suggested that the importance of a company-controlled, as opposed to jointly-owned, marketing network and distribution channel is highlighted in the function the channel serves in tracking and monitoring both existing and rising latent needs of customers and effectively responding to them. Another practical implication that may be inferred from the findings related to the changes in the operating environment, and the fast erosion of joint marketing practices, is that the abandonment of joint marketing granted total strategic freedom instead of the previously limited strategic freedom available to the members of the marketing associations, which was due to the need to arbitrate between the conflicting interests of its members. This strategic freedom is most evident in the transformation of the companies relying on their

core competencies from general stores towards a more focused approach following the abandonment of joint marketing practices.

An additional practical implication that may be inferred from the findings of the study in relation to the changing operating environment of the industry is the increased need for flexibility and a holistic approach when analyzing the changes in the global competitive setting and their impacts on strategizing. It is suggested that an appropriate mode of strategy-making in the new competitive setting of the industry would be what Henry Mintzberg (1993, 1994) has termed strategic vision, a mode of strategy-making characterized by flexibility; setting only broad outlines of strategy, while letting the specifics of the strategy be worked out, which implies a learning-by-doing orientation to strategy-making. In addition to strategic vision, which Mintzberg (1993) assigns as the effort of a single creative strategist, what would be needed in the new competitive environment is strategic learning, which according to Mintzberg (1993), is a way of creating strategy that is characterized by a variety of actors both experimenting and integrating to find a way to cope with the changing operating environment.

To conclude the discussion of the article, some theoretical considerations in relation to the theoretical background employed – internationalization process models – are called for. In general the study lends support to the internationalization process models propositions, and in particular the model proposed by Johanson and Vahlne (1977). The article shows that the development of the international involvement of Finnish forest industry companies has followed a path similar to that proposed by Johanson and Vahlne (1977), and Johanson and Wiedersheim-Paul (1975) in that, overall, the international involvement of the companies increased through a process that proceeded from modes requiring low commitment (export – export through intermediaries; marketing associations) to modes requiring higher commitment (sales subsidiaries), and ultimately the involvement was of a production nature. The discernible pattern may be seen to reflect the gradual learning process and the suggested risk-aversiveness of firms in respect of their internationalization decisions.

Thus, the article contributes to the ongoing discussion related to the process models validity by further corroborating the overall validity of the models proposition of gradual development. Therefore a central theoretical contribution of the article is the further corroboration of Johanson and Vahlne's (1977), and Johanson & Wiedersheim-Paul's (1975) general propositions of the overall process nature of an increase in the international involvement of firms in the Finnish forest industry company context. However, although it is not difficult to agree with the findings of Johanson, Wiedersheim-Paul, Vahlne and others in the internationalization process tradition in basic terms, what is more difficult to find in their reasoning is discussion related to the driving forces in

the process. Raising this question and providing an answer to it in the Finnish forest industry context is thus the central theoretical contribution of the article as it explores the forces driving the shift from low-commitment modes of international involvement to high-commitment modes. The article sheds some new light on the issue by pointing to the strategic considerations of the companies in the changing operating environment as a driver in the change of mode of engagement in international business. Hence, the article offers some additional clues to the question of *why* internationalization?

A further theoretical contribution of the article is its analysis of the marketing associations role as a vehicle for cooperative internalization, which may be seen as indirect internalization from the point of view of a single company involved in marketing cooperation through the associations. This kind of cooperative internalization of markets bears some important implications from the point of view of the internalization theory (Buckley & Casson, 1976): the cooperative modes of internalization form an interesting anomaly. While the internalization theory claims to explain the internalization of markets by a single firm, it is silent, however, even on the possibility of cooperative modes of internalization. In the case of the marketing associations the internalization of markets occurred through a jointly-owned organizational extension instead of single hierarchy as suggested by the internalization theory. Due to its concentration, to the exclusion of virtually all else, on explaining foreign direct investment and the existence of multinational enterprise, the internalization theory has seriously downplayed cooperative modes of increasing the international involvement of firms, such as international joint ventures and alliances, both of which have attracted considerable scholarly attention lately. For a recent review of the international joint venture literature see Wong and Ellis (2002).

Furthermore, the analysis of the rise and eventual fall of the long-standing joint marketing practices of the Finnish forest industry companies presented in the article is in itself an exploration of a phenomenon the study of which has been rather limited. The few studies that have addressed the phenomenon mostly deal with the marketing of primary production in the food processing industry, for example Penn (1994) and Christy (1994) dealing with wine, Holm (1995), with fish, and Dyllick (1989) with the marketing of dairy products. Another quite remote context from the current are studies of joint marketing practices between two organizations from different countries, typically between companies with western and eastern backgrounds (e.g. Marer & Miller, 1977; McMillan, 1981; Högberg & Wahlbin, 1984; Artisien & Buckley, 1985).

Studies of collective marketing practices between competitors within the same industry are far more limited although the topic is touched upon in passing in the joint venture and strategic alliance literature (cf. Harrigan, 1985, 1987; Ohmae, 1993; Porter & Fuller, 1986). Examples of studies dealing with

joint marketing between competitors include Dussauge and Garrette (1993, 1995), Hartley and Martin (1990), Kolodziej (1987) dealing with the aerospace and defense industries where allying with competitors, taking various forms, has quite a long history.

4.3 Change in the Extent and Form of Internationalization – The Finnish Forest Industry from the Mid-1980s to 2000

The third article included in the dissertation adds another viewpoint to the analysis of the internationalization process of Finnish forest industry companies. The article approaches the phenomenon pronouncedly as a firm-level phenomenon and thus takes a more orthodox view of internationalization than the other two articles discussed above by placing the companies in center stage as the major actors whose undertakings are examined over an extended period of time. Thus the article displays a longitudinal, multiple-case processual analysis of parallel development processes. A central supporting idea of the article is its treatment of the firm-level internationalization phenomenon through a game metaphor; the internationalization development of the companies is seen as dynamic, strategic game-playing activity characterized by rivalry and struggle. Addressing the competitive behavior of the companies studied through the metaphor of game allows the relaxation of the central assumptions held within the game theory related, for example, to rationality, perfect information, set rules, the number of players, and so on. The companies studied are perceived as goal-oriented intentional actors carrying out moves aimed at maintaining and strengthening their respective strategic positions within the industry. Thus, the article takes as its explicit starting point the critique against the dominant static approaches to the study of the internationalization development of firms and presents an alternative approach. Contrary to the static approaches, the internationalization development of firms is held to be an inherently dynamic phenomenon in the article and it is consequently treated as such.

Utilizing the metaphor of game as the ideational background for the analysis of the development, the article presents three frames of reference, which are employed in the analysis of the game-playing activity of the companies studied. The frames of reference utilized in the article enable the combining of ideas found within diverse streams of literature touching upon different phenomena of interest in the internationalization context. The origins of the frames of reference utilized in the article in their slightly modified form are traceable originally to the works of Näsi (1991, 1994, 1996, 1999), in which he at first proposes the game-playing view as a distinguishable stage within the development of strategic thinking (Näsi, 1991), and later develops the analytical

frames of reference more fully (Näsi, 1994, 1996, 1999) into the form in which they appear in Näsi, Sajasalo and Sierilä (2001). The original versions of the frames of reference combine numerous lines of strategic thought related to the various forms that the competitive conduct of firms may assume combined with ideas derived from a number of streams that treat various forms of human activity through the metaphor of game (e.g. Carse, 1986; Clancy, 1989; Mitroff & Pauchant, 1990; von Herzen, 1993). In addition, the development of the original frames of reference relies on three illustrative cases that provide some of the terminology utilized (see Näsi, 1996). Thus, the frames of reference are synthesizing by nature as they draw various lines of theorizing together into workable analytical tools for analyzing the competitive behavior of firms. The frames of reference contain ideas derived from the portfolio management literature (e.g. Henderson, 1984; Buzzell & Gale, 1987; Hamermesh, 1986 among others) most visible in the frame of reference related to opening and closing moves; value chain literature (in particular Porter, 1980, 1985) displayed in the frame of reference dealing with the target of the move within the production chain; and diversification literature (e.g. Wrigley, 1970; Rumelt, 1974, 1982, 1986; Salter & Weinhold, 1979; Abell, 1980; Galbraith & Kazanjian 1986) most notably in the frame of reference related to the various ways of meeting competition. In addition to these broadly defined streams of literature, especially the influence of Mintzberg's thinking related to the different ways of perceiving strategy – the five Ps (Mintzberg, 1987b) – may be seen as an important influence on the formation of the original frames of reference, as Mintzberg explicitly brings the concepts of game and players to the fore in his discussion of strategy as position (*ibid.*, 15).

Overall, the article argues that the use of the three frames of reference in their modified form enables systematic comparisons between companies, and the discovery of patterns in their internationalization development following a quantification research strategy (Langley, 1999) by quantifying the qualitative process data into a more readily comparable form. The research strategy adopted resembles that utilized by researchers associated with the Minnesota Innovation Research Project – most notably Van de Ven and Poole (1990) – in that here too the rich qualitative data are coded with the aid of predetermined frames of reference to reduce the complexity of the process data mass in order to aid comparison. What the use of the frames of reference accomplishes is to reduce the messiness of the process data (Langley, 1999) by helping to structure it and rendering it in a form suitable for statistical analysis in order to detect dissimilarities between the processes studied. Other ideationally similar approaches have been presented and utilized by Smith, Grimm and Gannon (1992) in their analysis of the competition among airlines, and by Romanelli and Tushman (1994) in their analysis of patterns of change within the microcomputer industry. In addition to assisting in the comparisons between

companies, the article argues that the use of the frames of reference helps in making the strategies followed by the individual companies in their respective internationalization processes more visible by means of longitudinal analysis of the development.

The article presents short case descriptions of the most important events in the internationalization processes of the four Finnish forest industry companies analyzed by paying special attention to the increase in the international involvement of these companies through foreign direct investment in production units. The increased international involvement of Enso in the form of foreign production is portrayed in the article as taking off relatively late on a major scale, although the company had already been involved in a difficulty-ridden joint effort involving a group of Finnish forest industry companies in Canada from the 1970s onwards. Overall the article presents Enso's internationalization as a process that proceeded through a series of events characterized by decisive action followed by period of relative quiet bearing close resemblance to what Mintzberg and Waters (1982, 492-493) characterize as a sprint and pause strategy. The article argues that the early 1990s form a turning point in Enso's internationalization process. After an extended period of relative quiet the process of increased internationalization of Enso continued closer to home base. The article portrays the development of the increased internationalization of Enso after its withdrawal from Canada as a process that finally escalated into the merger of Enso and Stora of Sweden, and further re-expansion to North America.

The internationalization of Kymmene through foreign direct investment in production, in turn, is characterized in the article as a process that started quite early compared with that of other Finnish forest industry companies. Historically, having been the largest of the Finnish forest industry companies Kymmene (as well as its predecessor Kymi) held itself to be sufficiently large to operate on its own in the international marketplace, which had its effect on the strategies followed (for a closer analysis of the company's development and relationship with its domestic competitors over the 20th century see Ojala, 2001a). Overall Kymmene is seen in the article to have followed a two-pronged strategy in relation to its international involvement. First, it established a relatively strong production presence early on in the most important markets served previously through exports in its largest businesses, and second, it complemented its market coverage through operating via the marketing associations in markets less central to it. Thus, the internationalization process of Kymmene could be characterized, in line with the article, as inconspicuous development primarily through organic growth.

The article argues that the late internationalization of Metsä-Serla was mostly due to its ownership background. An additional natural factor in the late start of the company in its internationalization through direct investment in

production which is brought up in the article is its late arrival on the Finnish forest industry scene: the company was established only in the mid-1980s which gave its domestic competitors a good head start in their internationalization processes. Even if the company itself was formed later than its competitors, the predecessors of Metsä-Serla already had a substantial history of involvement in the Finnish forest industry. The article argues that despite their relatively long history of operations in the industry, the predecessors of Metsä-Serla had been confined to a domestic orientation in their operations and to heavy reliance on exports as their dominant mode of international involvement due to reasons of the owners ideology and a lack of available resources owing to smallness, which has been traditionally considered a significant drawback for a firm pursuing involvement in international business activities (e.g. Becker & Porter, 1983; Levitt, 1983). The internationalization process of Metsä-Serla is portrayed in the article as a process of relatively small, cautious steps in businesses that required a local presence and thus forced Metsä-Serla onto a path leading to international production. The second half of the 1990s is seen in the article as a decisive period in redefining the company's strategy in relation to internationalization: by performing a series of major acquisitions Metsä-Serla totally revised its strategy of international involvement from small-scale, low-risk, relatively low-commitment to the very antithesis of the strategy previously followed.

United Paper Mills (UPM) is portrayed in the article in a similar light to Metsä-Serla in that UPM also relied heavily on exporting the domestic production of its core businesses. Although the company had established a manufacturing presence in both the UK and France in the mid-1980s, it is still labeled production-wise domestically oriented in the article because of the role that the foreign production units played in the whole of the production output of the company. Otherwise the article presents UPM's strategy as two-pronged in the sense that in its non-core businesses the company followed a process of small and cautious steps characterized by a relatively low-risk approach much in the same manner as Metsä-Serla. The article argues further that similarly to the development of Metsä-Serla, the latter half of the 1990s formed a clear turning point in UPM's strategy related to its international involvement. At that time UPM (UPM-Kymmene) clearly revised its strategic orientation towards international involvement from generally speaking relatively small-scale, low-risk, low-commitment to major and deep involvement, symptomatic of the changed orientation being the strategic alliance that eventually granted UPM-Kymmene a strong manufacturing foothold in the Chinese market, an acquisition in the US, a merger attempt in the US, and later a Canadian acquisition.

The article presents a detailed analysis of the game-playing activities of the Finnish forest industry companies with the aid of the three frames of

reference utilized. The analysis of the game-playing activities of the companies is divided into two periods because, as the article argues, the Finnish forest industry underwent a vast process of structural change in the mid-1990s which reduced the number of players within the industry through the merger of UPM and Kymmene. This changed the competitive landscape in a profound way that may be interpreted as the start of a new era, one marked by a change in the strategic orientation of the remaining companies. The article discusses some indications of the change in the strategic orientation of the companies between the periods and, based on an analysis guided by the frames of reference, singles out as the most clear indications of the change in strategic orientation 1) a slight but noticeable move towards a more downstream-oriented strategy, 2) change in the atmosphere of the game-playing from what is termed amicable in the article to game-playing of a more combative nature, 3) change in the international expansion and growth strategy from organic expansion to expansion through acquisitions, and 4) reflecting a shared concern within the industry for capacity control, a rise in the share of closing moves as a result of the phasing out of outdated capacity and selling off of non-core businesses.

The article further presents an analysis of the expansion of the companies marketing and manufacturing operations and utilizes the Johanson and Wiedersheim-Paul (1975) psychic distance ranking as an ideational starting point. The ranking of Johanson and Wiedersheim-Paul is used to form four broader groups of countries with similar psychic distances from Finland as the basis of analysis. The article argues that the expansion of the Finnish forest industry companies marketing operations has followed an importantly different path from that suggested by Johanson and Wiedersheim-Paul in their establishment chain proposition: firms first enter countries that are psychically the closest, and gradually proceed to countries with greater psychic distance (Johanson & Wiedersheim-Paul, 1975). Instead, what is found in the case of the Finnish forest industry companies is that they have skipped a group in the chain, and only subsequently followed the pattern suggested by Johanson and Wiedersheim-Paul (*ibid.*). The article offers two possible explanations for the observed anomaly – the minor role played by the psychically closest Nordic region for the companies – between the suggestions of Johanson and Wiedersheim-Paul (1975) and the actual pattern of the Finnish forest industry companies: 1) the moderating effect of increased international involvement on the psychic distance through learning and experience, 2) mutual understanding between the Nordic companies regarding the limits of competition, or fear of retaliatory action sparked by an attempted invasion of the others home base.

Furthermore the article discusses the geographical expansion of the companies marketing and manufacturing networks and presents an analysis of their development. In both cases the total number of countries served either through its own marketing network or own production units is taken to

represent the level of international involvement of the company in question. The line of reasoning related to the number of countries as an indication of the degree of international involvement adopted is similar to that of Pla-Barber (2002) in his attempt to expand the construct of foreign market involvement beyond the established but narrow indicator of percentage of foreign sales put forth by Stopford and Wells (1972). Analysis of the expansion of marketing networks shows that the companies have followed different strategies. The findings of the analysis presented in the article could be summarized as follows: the companies formed two camps in their approach in relation to the expansion of their marketing network. Kymmene and Enso were actively building marketing networks under their own control early on, whereas both Metsä-Serla and UPM adopted a different path and marketed the bulk of their production through cooperative arrangements and resorted in their own networks to marketing products that could be termed specialty products. Analysis of the expansion of production abroad in the article shows in similar fashion to similarly that of the expansion of marketing networks that the companies followed dissimilar strategies in their engagement in manufacturing operations abroad. Despite the different strategies, however, the final outcome of the individual processes resemble each other quite closely as pointed out in the article in the discussion related to competitive pressures associated with internationalization: it seems that in order to be successful within an industry a firm cannot differ substantially from its main competitors in relation to international involvement and the geographical reach of its operations.

To conclude, some central findings of the article related to the internationalization development of the Finnish forest industry companies in the light of the game-playing perspective are presented and in addition the merits of the game-playing approach for the study of internationalization processes are discussed in what follows. The article argues that the internationalization processes of the Finnish forest industry companies may be divided into three distinct phases according to the strategic importance assigned to further increasing the international involvement of these companies. Figure 16 portrays the phases.



FIGURE 16 Three phases of internationalization of the Finnish forest industry companies

During the first phase of internationalization termed marketing associations hegemony the strategic orientation of the companies towards increasing their international involvement could be best characterized as relatively passive: for the most part the international involvement of the companies took place through intermediaries. Although the article provides some exceptions to the rule during the first phase, the most notable of which being Kymmene's (Kymis) entries to the UK and West Germany, UPM's early unsuccessful endeavors in Israel, Italy, Brazil and Iceland, and Enso's entries to the Netherlands and joint effort in Canada, all the above, with the exception of Kymmene's establishment in Germany, could be seen as water-testing attempts that were terminated when they had either served their purpose, or the situation surrounding the foreign units had developed in such a way that it demanded termination of the operation. During the second phase, termed internationalization through organic expansion, the strategic orientation of the companies changed from passive to clearly more active. The change in the strategic orientation was most clearly manifested in several greenfield investments – the entries of Kymmene and UPM into the UK, and Enso's entry into Germany through paper mill investments – through which the companies were seeking a stronger foothold in markets previously served through export, as well as to expand their marketing networks with a view to a more comprehensive presence in the most important markets. The third, ongoing phase termed internationalization through acquisitions and mergers, and the resultant fast increase in the international involvement of the forest industry companies may be seen partly as a consequence of the changed global competitive setting and partly as a consequence of the limits of growth having been reached in Finland. As a number of major forest industry companies worldwide had assumed similar strategic aims – growth in order to achieve the required size to secure greater control over their own destinies, and growth to obtain dominant positions within the industry to cope with global competitive pressures – the means of growth provided by organic expansion soon became exhausted and the companies within the industry had to revise their strategic orientation, rendering it even more active, and in addition radically change their approach towards the means employed. Thus, the third phase may be seen as a clear indication of a paradigm change within the global forest industry, the old industrial wisdom (Hellgren & Melin, 1992) related to the means of growth being replaced by the new.

The article's observation related to the fragmented nature of the industry bears with it some practical implications in relation to both the internationalization of the forest industry companies and future consolidation within the industry. The article argues that due to the fragmented nature of the industry overall there still remains considerable potential for future consolidation through acquisitions and mergers within the industry globally.

Future consolidation is obviously closely linked to further internationalization of the companies within the industry since not just the Finnish forest industry companies but more generally all the other major players in the industry, regardless of their national origin, have recently been increasingly growing out of their traditional home bases and home regions. The development within the industry in the long run may be predicted to result in a state in which a few companies will be more firmly established than at present in all the most important regions for the forest products trade - North America, Europe and Asia - and dominate the global scene. Despite the trend predicted above, and due to the inherently regional nature, consolidation development is not likely, however, to lead to a situation in which there is no room for local (or even global) niche players within the industry. As noted in the article, the trend within the industry among the major players - an attempt to concentrate on serving some segments of the market and become the dominant player within those segments - favors the conclusion that the field will be divided more clearly than was the case until now into three groups of companies: the focused global players with extensive scale serving the needs of global customers, the local specialized niche players serving the needs of local customers, and between the two extremes, the specialized global niche players that serve the needs of a specific group of local customers with a worldwide scope.

Finally let us address some of the central contributions of the article, which are twofold: first and foremost the contributions lie in the introduction of a novel, dynamic action-oriented approach to the examination of the internationalization processes of firms and second, in the advancement of knowledge related to the dynamics of internationalization of the Finnish forest industry companies over the past two decades. The major contribution of the article related to the dynamics of the internationalization processes of the Finnish forest industry companies lies in particular in the analysis of the development during the 1990s, which, according to the findings of the article forms a watershed for the industry in relation to the internationalization strategy followed by the companies. As this period has not been widely covered elsewhere in the internationalization context of the Finnish forest industry, the findings related to change in the strategic orientation of the companies may be considered novel, thus advancing our knowledge related to the internationalization process of the Finnish forest industry companies. The contributions of the article to the field of international business studies in general, and to the behaviorally-oriented internationalization process perspective in particular, are manifold.

First, the article introduces a new approach to analyzing the internationalization processes of the firms, one that is characterized by a dynamic perspective on a dynamic phenomenon. Thus it offers an alternative to the dominant static approaches holding sway in the field of international

business. Second, the alternative game-playing approach to the study of internationalization processes proposed in the article may be considered as a response to calls for the (re)introduction of the missing strategic viewpoint to the analysis of internationalization development of firms (see e.g. Melin, 1992). Thus, unlike Johanson and Vahlne (1990, 12) when they state that the internationalization process, once it has started, will tend to proceed regardless of whether strategic decisions in that direction are made or not, the article perceives the internationalization of a firm as a process driven by strategic considerations. Third, the game-playing metaphor and the game-playing perspective with multiple frames of reference derived on the basis of the game-playing metaphor offer an adequately broad means of addressing the multitude of ways a firm may choose to increase – or decrease, for that matter – its international involvement. Thus, the game-playing perspective offers a way to integrate ideas found within two seemingly contradictory streams of literature; the behaviorally-oriented internationalization process literature and the foreign direct investment literature. As the article argues, the game-playing perspective offers a way of combining the gradual organic process view of internationalization promoted by the internationalization process school with what constitutes a discontinuous change from the internationalization process school's point of view – acquisitions (Andersson, Johanson & Vahlne, 1992). This point is especially important because, as Hennart and Park (1993), and Chao and Padmanabhan (1995) among others have noted, acquisitions as a means of internationalization have become increasingly important recently and thus any approach not taking acquisitions into account as one central means of internationalization would be incomplete. Fourth, the game-playing perspective allows the true appreciation of the process nature of internationalization and thus the incorporation of time in the analysis as one key variable. Hence the game-playing perspective offers a way to remedy the lack of temporal considerations in the analysis of the internationalization of firms (see e.g. Macharzina & Engelhard, 1991; Kutschker, Bäurle & Schmid, 1997) by allowing longitudinal examination of the phenomenon. The game-playing perspective further allows the incorporation of time into the analysis in various time perspectives. The temporal duration of the internationalization activity of firms may be considered within the game-playing perspective to range from episodes to epochs, and further to evolution (in increasing duration) within the overall internationalization process. Fifth, the game-playing perspective offers a way to make the strategies followed by firms more easily visible by allowing a comparative approach that further aids in establishing the patterns of action of the individual firms analyzed. Finally, the game-playing perspective and the frames of reference are offered as a versatile and flexible tool for the holistic analysis of internationalization processes.

5 CONCLUDING REMARKS

In this last section of the dissertation I aim at presenting a kind of meta-analysis of the dissertation at hand, discussing the overall contributions of the dissertation, its strengths and limitations, and discussing issues related to validity and reliability. In addition I will provide some suggestions regarding what I consider to be fruitful directions for future research based on the findings of the dissertation and discussion related to the strengths and limitations of the dissertation.

The starting point of the dissertation was my intrinsic interest in the following intriguing question: *how has it been possible for a group of once small companies operating from a small and remote country to rise to such prominent positions within the forest industry internationally?* A closely related additional question occupying my mind was: *by which means have the remaining companies come to be what they are today?* From the very outset of the dissertation process it seemed that even a partial answer to the questions posed above would inevitably bring up the issue of the international involvement of the companies in some form or the other. Thus the fact that the dissertation found its focus on the examination of the internationalization processes of Finnish forest industry firms could be considered an obvious course of development. Against this background the aim of the dissertation became to explore the internationalization development within the Finnish forest industry by providing a holistic representation and an analysis of the internationalization development of the Finnish forest industry companies and the strategies followed as they became increasingly internationally involved over the course of time. Hence, my aim in bringing together the dissertation was to further advance our knowledge related to the Finnish forest industry, and in particular, the process through which the Finnish forest industry companies became increasingly internationally involved. The obvious question to ask at this point is: how well did I succeed in my aim; what have we learned as a result of the dissertation's completion? Ultimately the above questions are for others to

answer and judge, but let me at least offer some of my personal points of view on the issue.

It is my contention that the dissertation as a whole has advanced our knowledge regarding the internationalization process of the Finnish forest industry companies, and more generally, various change processes within the industry in several ways. First, by examining the internationalization phenomenon from various, alternative, yet theoretically compatible perspectives, the dissertation has broadened the examination of the phenomenon in some untraditional directions in order to cover more ground related to the internationalization of firms business activities by placing the processes studied into the wider context in which they are embedded. By doing so the dissertation has provided a more holistic picture of the developments involved in the internationalization processes of the Finnish forest industry companies than would have otherwise been possible.

Second, the research strategy adopted in the dissertation, examining the studied phenomenon from different viewpoints and levels of analysis, offers the additional advantage of shedding light on the phenomenon from different angles, something not very common within the field of international business studies. This, in turn, helps in avoiding the obvious danger of one-sidedness and over-restrictedness of examination: paying attention narrowly only to certain aspects of a phenomenon – guided by a single paradigm – hence virtually neglecting all other aspects of it, which may lead to important features of a phenomenon studied being overlooked. A justified concern over this phenomenon in IB research is expressed by Andersen (1993, 219): even though all explanations are incomplete, it can be argued that only one explanatory variable seldom can provide a sufficient explanation. This is an important point to note when dealing with complex and multifaceted phenomena, such as the internationalization of business activities of firms. In effect, the dissertation has utilized what Lewis and Grimes (1999) have termed multiparadigm sequential research strategy by applying divergent paradigm lenses empirically to examine the phenomenon of interest to gain a better understanding of it through diverse representations.

To provide a summary of the suggested empirical contributions of the dissertation in advancing our knowledge regarding the internationalization processes of the Finnish forest industry companies and changes within the industry, as well as theoretical contributions of the dissertation, Table 2 is used. Table 2 serves the purpose of condensing the lengthy discussion in section 4 related to the findings of the three articles into a compact form.

TABLE 2 Summary of empirical and theoretical contributions of the dissertation

Advancement of knowledge related to internationalization strategy	Article
Internationalization of the industry driving the transition from a closed to an open economy	Article I
Period of intensified internationalization efforts from mid-1980s onwards – fast-paced increase of foreign production	Article I
Inward internationalization as a deliberate strategy (import of wood a means of reducing dependence on domestic wood)	Article I
Change of governmental intervention policy (no more devaluations)	Article II
Although markets of forest industry products are global, competition within the industry is within-region type	Article II
Companies operating from emerging regions gradually changing the global competitive setting into interregional	Article II
Aim at production of higher value-added grades – redirection of production structure	Article II
Internationalization of ownership structures	Article II
Marketing associations of crucial importance as a mode of international involvement for the relatively small companies	Article II
Quick erosion of importance of marketing associations due to adoption of customer-orientated mode of operation	Article II
Construction of parallel marketing networks due to associations' hindering the flow of market information	Article II
Concentration and resultant growth erased the initial disadvantage of smallness	Article II
Substantial potential for concentration through mergers and acquisitions in Europe	Article II
Increased importance of the distribution channel as competitive weapon due to the functions served (tracking and sensing existing and latent needs of the customers)	Article II
Abandonment of joint marketing practices grant full strategic freedom	Article II
The companies used different strategies in building a manufacturing presence in foreign markets	Article III
Camps in expansion strategy of marketing networks: active (Enso, Kymmene), passive (UPM, Metsä-Serla)	Article III
Two-pronged strategies related to increasing foreign manufacturing presence typical of Metsä-Serla and UPM	Article III
Ownership background and size (available resources) influence timing	Article III
The 1990s a watershed for the industry in relation to internationalization strategies followed	Article III
Second half of the 1990s a decisive period – from a (relatively) small-scale, low-risk, low-commitment strategy to the very opposite	Article III
Towards more downstream-oriented strategy	Article III
From organic growth to expansion through acquisitions and mergers – paradigm change	Article III
Despite differences in the processes, outcomes resemble each other	Article III
Considerable potential globally for future consolidation through acquisitions and mergers	Article III (Continued)

TABLE 2 Continued	
Three distinguishable phases in the internationalization development of the companies	Article III
The industry predicted to divide into three groups of companies: focused global players, local specialized niche players, and specialized global niche players	Article III
Advancement of knowledge related to changes affecting the industry and the companies	Article
Internationalization a major force affecting the business and society relationship	Article I
Industry's relationship with society – prevalent institutional arrangements between the industry, the state and the forest owners altered profoundly by internationalization	Article I
Industry's relationship with the private forest owners – abandonment of the institutionalized collective wood price negotiations system – major mechanism sustaining the mutual dependence and balance of power between the industry and the forest owners	Article I
Cooperative relationships within the industry	Article I
Industry's relationship with the banking system	Article I
Reduction of dependence on domestic wood (and private forest owners) due to increased international involvement	Article I
The inter-war period institutionalization of interdependence between the industry, the state and the forest owners	Article I
From closed to open economy	Article I
Diminishing role of the state both as provider and player	Article I
Industry's relationship with the state – intervention policy change of government	Article I
Interconnected nature of the global, national, industry, and firm level	Article II
Regional struggle between established and emerging forest industry regions	Article II
Companies striving for prominent positions "forced" to grow	Article II
Decline of relative importance due to structural change	Article II
Attempts at strengthening positions through growth due to changes in the business cycle	Article II
South America and Southeast Asia the most likely regions to disrupt the balance in the medium to long range	Article II
Revolution of competitive landscape due to the merger of UPM and Kymmene	Article III
Theoretical contributions	Article
Contributes to the discussion of institutional efficiency by examining the dynamics of change of long-standing institutional arrangements	Article I
Expansion of internationalization phenomenon from the firm level into a societal level phenomenon	Article I
Contributes to business and society field by placing the discussion into the internationalization context	Article I
Expansion of the inward – outward internationalization discussion by establishing inward internationalization as a deliberate strategy of the international involvement of experienced firms also	Article I

(Continued)

TABLE 2 Continued	
Further corroboration of internationalization process models' central propositions	Article II
Strategic considerations central drivers in the change of mode of international involvement	Article II
Establishes cooperative internalization (joint marketing practices) as an interesting anomaly from the point of view of internalization theory	Article II
Introduction of action-oriented approach to the examination of internationalization processes – alternative to dominant static approaches	Article III
Game-playing perspective offers a means to synthesize ideas from FDI and internationalization process streams – analysis of both gradual organic processes and acquisitions as a longitudinal development process within unifying framework	Article III

Based on Table 2 it is fair to argue that *overall the dissertation has managed to advance our knowledge* related both to the internationalization process of the companies studied, and in regard to some of the major changes that have and are predicted to affect not only the Finnish forest industry, but forest industries worldwide in the future. Regardless of the preceding claim, most of the knowledge created in this dissertation related either to the internationalization strategy of the companies or the changes affecting the industry is contextually both Finland and Finnish forest industry-bound by nature, and thus, cannot readily be transferred to other contexts.

Nevertheless, some of the findings and propositions portrayed above have more general properties to them, and it is suggested that for example the propositions related to future concentration and consolidation within the industry, the findings related to the change in the internationalization and expansion strategies in late 1990s, as well as the observation related to inhibiting factors, and to the growing importance of controlling the distribution channel would have relevance and generalizability in other contexts than Finland and the Finnish forest industry alone. The same goes for some of the changes analyzed in the dissertation portrayed as affecting the Finnish forest industry. Especially the propositions related to the changing dynamics of competition within the industry clearly do not affect the Finnish forest industry alone, but the same dynamics of competition and their effects on companies apply within the industry worldwide: especially the need for growth to fortify positions against companies operating from both within and outside the region of the focal company.

5.1 Reliability of the overall study – triangulation perspective

To expand on the discussion above related to the various theoretically compatible perspectives utilized in the dissertation, to explicate the advantages of the chosen approach, and further, to discuss the issue of the reliability of the current study, the concept of triangulation (see e.g. Jick, 1979; McGrath, 1982; Denzin, 1978; Scandura & Williams, 2000) is useful. The concept triangulation has been adopted for use in a qualitative research setting from navigation (Jick, 1979; Stake, 1995) and military strategy, which are seen to use multiple reference points for the purpose of locating an object's exact position (Jick, 1979). Although the requirement of precision (in the sense of confirmation of single meaning) is typically flexed when the idea of triangulation is applied to qualitative research (Stake, 1995, 112-115), the basic idea of increasing the reliability of interpretation through the use of multiple reference points still applies.

As stated by McGrath (1982) *it is impossible to produce an unflawed study*. Any chosen research method will have inherent flaws, and therefore corroborating evidence by using a variety of methods is needed (Scandura & Williams, 2000). As triangulation can readily be applied to many elements of research methods according to Scandura and Williams (*ibid.*), for example to research strategies, settings for data collection, and sources of data, an additional element is added to the list – following Denzin's (1978, 1989) suggestion: theories. First of all, the use of different viewpoints to examine a phenomenon, as discussed above offers a mode of triangulation in itself. Addressing the same phenomenon from different perspectives and through different frames of reference should aid in coming up with a more robust analysis, and more justified interpretations and conclusions. This view is subscribed to also in the current dissertation. The *theoretical triangulation* serves basically the same purpose of coming up with more valid and reliable conclusions, as does the utilization of different perspectives. The two are in fact closely related: it is the different theories that offer the possibility of approaching the same phenomenon through different viewpoints and offer different frames of reference which are characteristic of each theory. Thus, different theories open up different windows through which a researcher can peek and see some whole new scenery although the phenomenon is the one and the same.

This is true in the current case as well: although the phenomenon studied has remained the same, the different theories utilized in its analysis have provided new ways of interpreting the phenomenon and its linkages to other phenomena. Although the behaviorally-oriented internationalization theories (e.g. Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975;

Luostarinen, 1979 among others) have provided the undertone for the examination throughout the dissertation, the picture drawn based on them is supplemented through perspectives provided by business and society theorizing and business systems research (e.g. Whitley, 1991, 1992; Whitley & Kristensen, 1996), perspectives drawn from the economics-based theorizing related to foreign production (e.g. Dunning, 1977; Buckley and Casson, 1976 among others) and institutional efficiency (e.g. North, 1990), together with perspectives offered by various streams of strategy literature (e.g. Henderson, 1984; Porter, 1980, 1985; Galbraith & Kazanjian, 1986; Näsi, 1991, 1994, 1996; Mintzberg, 1987b among others). Figure 17 illustrates the theories utilized and their relation to the phenomenon studied.

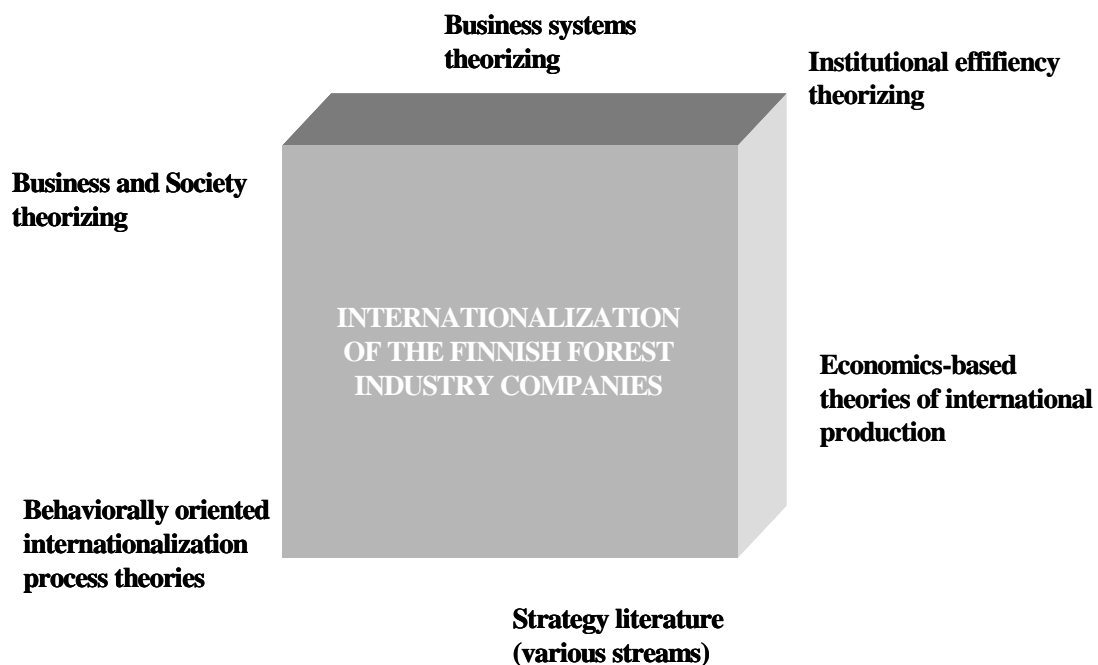


FIGURE 17 Theoretical triangulation of the dissertation

Another method of triangulation used in the current dissertation is provided by the use of *different levels of analysis*. The use of different levels of analysis (firm, industry, institutional and societal level) serves the same goal as modes of triangulation in general, providing corroborating evidence in order to be able to draw more valid and reliable conclusions and interpretations of the phenomenon studied. Still another mode of triangulation in use in the current dissertation is *triangulation based on sources of data*. The primary data in the articles included in the dissertation are drawn from the annual reports of the companies studied. The annual reports are utilized as the basic source of

process data, and they provide a documented historical record of events in the internationalization process of the firms under study. The use of annual reports as a valuable source of data for strategy research purposes in the forest industry context is promoted by Sierilä (1989, 1991) who, based on his studies utilizing annual reports, concludes that they are a useful, yet unnecessarily neglected source of data. Also Forster (1994) has promoted the use of organizational documentation such as annual reports as a source of data. He further argues that various forms of company documentation have been needlessly overlooked by social scientists, as they often provide contemporaneous records of events in organizations, and a way of taking a closer look at historical processes and developments in an organization. Both the views of Sierilä and Forster regarding the usefulness of annual reports are accepted in the current dissertation but, nevertheless, the data drawn from the annual reports of the companies is supplemented by other sources of data, thus providing a basis for triangulation, and hence a way of increasing the validity, reliability and credibility of the research.

The supplementary data of the articles included in the dissertation are drawn variably from business papers and magazines carrying extensive coverage of various developments within the industry, news releases and extant literature, which, taken together offer an additional reference point against which the accuracy of the data based on the annual reports may be tried out. The above discussion related to different modes of triangulation in use in the current dissertation is meant to serve as a way of guaranteeing the overall reliability of the conclusions and interpretations made. The various modes of triangulation are intended to remedy some of the inherent flaws that any chosen research method will, according to McGrath (1982) inevitably possess, and to offer the corroborating evidence for the genuine efforts made in the dissertation to secure the overall reliability of the study and the interpretations made in it.

5.2 Limitations of the study

If the preceding discussion may be seen as pointing towards the strengths of the research strategy and the overall approach adopted in the study, the need remains to address the flipside of the same coin: the limitations of the study. To continue with the triangulation theme, one possible additional mode of triangulation that may be employed to increase the overall reliability of any given study – that of methodological triangulation – offers a good starting point for the discussion. Methodological triangulation is possibly the best known of the modes of triangulation (Stake, 1995, 114) and it refers, as the name would suggest, to the use of different methods in order to increase confidence in one's

interpretation (ibid.). When dealing with case study, the principal methods available for methodological triangulation are observation, interview and document review. This brings us to the issue of the limitations of the current dissertation.

From a methodological point of view the current dissertation basically *relies on one methodology* of case study, the document review methodology, which may be considered as a limitation of the study. As Stake (1995, 114), referring to the insight of Campbell and Fiske (1959) points out, Campbell and Fiske recognized early on, as have numerous others since, that many findings of social science studies are subtly influenced by the ways in which the researchers approach their work. Thus, the use of multiple approaches within one study is suggested to offer the advantage of different approaches, nullifying some of the extraneous influences of each other, which is seen to be advantageous for the reliability of the study. Nevertheless, in this suggestion lies an implicit normative undertone; what should be sought after through filtering out the noise of extraneous influences in research is arriving at one, single true interpretation of a phenomenon, which goes against the ideology adopted in this dissertation. Regardless of the criticism, however, the overall advantage of the use of multiple methodologies is acknowledged. It is only the extent and aims with which it is suggested methodological triangulation should be performed that are criticized.

Although the articles included in the dissertation rely on a single methodology, the methodological shortcoming is partially relieved by the fact that throughout the dissertation process I have been in recurrent informal interaction with individuals, who, based on their long participation in the Finnish forest industry, may very well be considered industry experts. Although the interaction with the individuals and resultant understanding gained regarding the dynamics of the industry have not been included in the research process *per se*, as interviews or in any other format considered as data, the interaction with practitioners has, it is maintained, served as an additional source of information and background against which ideational triangulation has been possible.

Another possible question that may be raised and considered as a limitation of the study, closely related to the methodological shortcoming, is the use of annual reports as the main source of data. I am perfectly aware of various problems associated with the use of annual reports and other similar documents produced in organizations as a source of data, most notably as Yin (1984, 81) points out it is important in reviewing any document to understand that it was written for some specific purpose and some specific audience *other than* those of the case study being done. As Sierilä (1989, 1991) too points out, there are certain issues that must be borne in mind when utilizing annual reports as data for research.

First, as annual reports serve clearly not only the information conveyor function, but also a marketing function towards owners, financiers, and would-be owners of the companies, it is likely that issues presented in annual reports tend to portray the company in the most favorable light possible. Thus, positive aspects of operations tend to get treated explicitly as the accomplishments of the company; negative aspects, in turn, are treated as being caused by the indefinite and vague environment outside the control of the company, or then they are treated as minor points in the annual report which are pushed into the background (Sierilä, 1989). Second, companies tend to stress certain strategic issues over others, thus leaving some important issues – from a researcher's point of view – almost without attention.

However, annual reports also possess some major strong points that offset the problems discussed above. First, the annual report is the most official, and audited document produced by a company reporting its activities (Sierilä, 1989). In consequence, and because of quite strict regulations and demands placed on the content of annual reports by various stock market bodies and officials, the reliability of the information contained in annual reports is high. Thus, the question lies not in the reliability of the information, but rather the question is, does the annual report contain enough and detailed enough information for research purposes? To answer the question in the current research setting, the answer is yes and maybe.

The dual answer, and especially the maybe part of it, is due to differences in reporting between companies, and differences in demands placed on the information content at different points in time: typically the informativeness of annual reports has increased over time, and in recent times the amount and level of detail of information regarding the international aspects of the companies' operations has been sufficient for research purposes. Thus, although in the beginning of the period of interest in the dissertation, the 1980s, the content of the annual reports left something to be desired and thus placed a greater burden on the supplementary information needed from other sources in order to get a detailed enough picture of the internationalization development, this is not the case currently. From a research point of view, however, matters related to the increase in the international involvement of the companies have been of such strategic magnitude that they have been reported in considerable detail in annual reports.

Furthermore, a question that may be raised regarding the method of inquiry, the game-playing perspective in Article III, could be seen as a limitation of the dissertation from the validity point of view. As the approach used to analyze the internationalization development of the Finnish forest industry companies is novel in the internationalization research context and perhaps somewhat unconventional, the question of the validity of the approach may be justified. It is obvious that the approach needs to be applied in other

instances to further validate it. This limitation is, however, remedied to some extent by the fact that the game-playing perspective in its original form has been successfully applied in the Finnish forest industry context (see. Näsi, Sajasalo & Sierilä, 2001; Näsi, Lamberg, Ojala & Sajasalo, 2001) and it has proved a workable solution for the analysis of development processes of extended duration and by the fact that the modifications made in its current application are minor.

5.3 Suggestions for future research

The discussion above related to the merits and shortcomings of the dissertation provide a good starting point for discussion regarding what I consider to be fruitful directions for future research and some suggestions pertaining to them. To start with some of the most general suggestions, and somewhat fittingly to the overall theme of the dissertation, a fruitful direction for future research is opened by the possibility of utilizing the game-playing perspective and the analytical frames of reference in an *international comparative research* setting. As the game-playing perspective has already proven to be a workable approach in analyzing the internationalization development of the Finnish forest industry companies, as well as in its original form for the long-term development of the Finnish forest industry companies overall (see Näsi, Lamberg, Ojala & Sajasalo, 2001), expanding the scope of the analysis to include in the first place a few major forest industry countries and the internationalization development of the limited number of large forest industry companies in each would be a manageable challenge.

Apart from analyzing the established companies, the game-playing approach might offer a fruitful future research avenue by providing a helpful tool for the analysis of the internationalization development of companies operating from the suggested emerging forest industry regions. This would also help in assessing the proposition made in Article II regarding the future competitive setting of the industry, especially that of the growing importance of interregional competition in the future, a proposition that is somewhat contrary to the view held by for example Tilli (1998) regarding the future of the forest industry in Asia.

A particular strength of the game-playing approach in an international comparative setting is that its application is rather simple and straightforward once the parties involved agree on the coding principles, as has been found in an ongoing research project (Lamberg & Näsi, 2003). Another major strength of the approach is that data gathering of the event data is based on publicly available sources, which facilitates access to compatible data regarding the companies in various countries, provided that the companies are publicly listed.

Considering the size of a typical forest industry company this issue is not likely to cause any problems from the research point of view. Another fruitful direction regarding the game-playing perspective would be to apply the approach in addition to a different national context to a *different industry context*. It would be fruitful to test the article's suggestion regarding the game-playing perspective's flexibility as a tool for analyzing internationalization development in different industry settings and to find out whether the approach is as transferable as suggested, and which kinds of modifications different industry contexts might require.

Further, in the following some possible avenues opened for future research by the empirical contributions of the dissertation in relation to the internationalization of the Finnish forest industry companies and in relation to the major changes affecting the industry are identified. The finding of Article III related to the *ownership background's influence* on the timing of the internationalization process opens up an intriguing line for further inquiry. As is further noted, the company referred to (Metsä-Serla) caught up with its other Finnish rivals in the internationalization process by speeding up the process. Thus, a suggestion for future research relating to the influence of ownership on the internationalization process would be to examine more closely what brought about the initial change in the attitude of the owners of the company in relation to the strategy of engagement in international business.

Addressing this question would obviously require the adoption of a *different method of inquiry* than has been utilized in this dissertation. In order to address this kind of change it would be necessary to somehow gain access to the world of experiences and meanings of those having been part of the process themselves through, for example, in-depth interviews. Another possible line of further research that might prove fruitful in further adding to our knowledge of the dynamics of strategizing of the Finnish forest industry companies, and more generally, of the change in strategic thinking within organizations, is addressing the question of which kinds of processes and which influences led to the paradigm change in the internationalization strategies of the Finnish forest industry companies: which kinds of cognitive processes led to the abandonment of one commonly held belief within the industry, and its replacement with another commonly held belief related to the method of further increasing the international involvement of the major companies both in Finland and elsewhere? Addressing this issue would, again, require the adoption of a different method of inquiry than was adopted in the current dissertation. What would be required is the adoption of some method of in-depth inquiry that allows the researcher's entry into the world of experiences of those who have been part of the paradigmatic change process of strategic thinking.

Another, possibly more *quantitatively-oriented avenue* for future research may have been opened by the finding of the dissertation related to the growth aspirations of the companies due to the business cycle turmoil in the early 1990s, and the associated concentration and increased control of investment in new capacity due to the decreased number of players. The specific question that may be raised, based on the finding, is: what effects has the more controlled investment behavior of the companies had on the nature of the business cycle of the forest industry, if any, and how has tightened investment control affected the profitability of the companies, and the industry in general, in comparison to other manufacturing industries with similar qualities?

Furthermore, another intriguing question related to the growth of the companies that may be raised on the basis of the growth imperative proposition in Article II, and which might bear some relevance for the ongoing discussion in the field of international management, is that of *the best organizational configuration* of international business activities. The explicit question regarding the issue could be formulated in the following fashion: what are the limits of growth (further internationalization) – presuming that there are such limits – from the organizational point of view after which the complexity of an organization becomes unmanageable? The issue of complexity and the effects of growth on it pertain closely to forest industry companies. They are already very complex organizations as they currently stand as demonstrated by D Aveni and Ilinitch (1992) in their analysis of the vertical integration of International Paper and Champion International.

Further, the finding of Article III related to the similarity of the outcome of the Finnish forest industry companies internationalization processes would provide a starting point for further research. Again, an avenue for future research in a *comparative setting* is opened up. The comparisons could take place either *between industries* in a one-nation setting, while another fruitful direction would be making comparisons in a *within-industry* setting in multiple countries, which would shed some additional light on the suggested phenomenon of the strategic and structural convergence of companies due to the homogenization of international environments, referred to in the literature as organizational isomorphism (e.g. Meyer & Rowan, 1977; Hannan & Freeman, 1989) which DiMaggio and Powell (1983, 149) define as a: constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions.

Thus, especially placing the isomorphism issue in the within-industry international context would provide new insight regarding the development of the suggested strategic and structural convergence of companies. In effect the suggested approach would contribute to the industrial wisdom discussion that typically takes place in a national setting (see e.g. Hellgren & Melin, 1993) by extending it to a multinational setting, thus offering additional possibilities to

examine the question of if and how the distinct national industrial wisdoms interact to create a globally-shared collective view of the fundamentals of an industry. Finally, the tentative proposition of Article III in relation to the future development of the global forest industry into three groups of companies, the focused global players, the local specialized niche players, and the specialized global niche players would offer an opportunity for future research to examine the accuracy of the proposition in the global context.

5.4 In conclusion

To sum up the preceding discussion and the central findings of the dissertation, Figure 18 based on the findings of the articles is used to portray the central changes in the Finnish forest industry companies international involvement strategy. In the following some of the central factors influencing the changes will be further discussed.

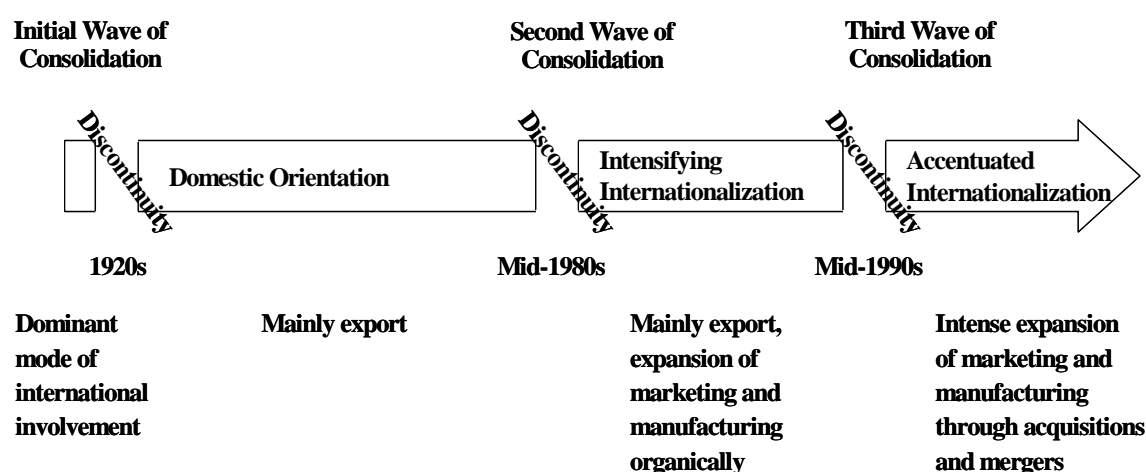


FIGURE 18 Changes in the Finnish forest industry companies international involvement strategy

As may be noted from Figure 18, the development of the Finnish forest industry companies international involvement is seen to have progressed through three distinct phases, each with their overriding features related to the dominant mode of international involvement. It is further maintained that the transitions from one phase to the next are characterized by discontinuous changes in the competitive setting of the industry, or otherwise by crises of some sort in the operating environment of the industry adversely affecting the operating possibilities of the companies within the industry. The first discontinuity in the international operations of the Finnish forest industry leading to the initial

wave of consolidation within it may be interpreted to be a consequence of the Russian revolution, which necessitated a rapid market reorientation as a result of the then dominant export market being closed down virtually overnight.

The second discontinuity and accompanied wave of consolidation within the Finnish forest industry in the mid-1980s may be seen as a reaction to similar concentration development within the Swedish forest industry (see e.g. Hellgren & Melin, 1993), which, being the closest and by including a number of major rivals to the Finnish forest industry companies in the European market, may be considered the closest reference point for the Finnish forest industry companies. Due to a number of major acquisitions and mergers in Sweden in the 1980s (having their impetus in the oil crisis of the 1970s) the largest Swedish forest industry companies grew considerably larger than their largest Finnish counterparts. Thus, the second wave of consolidation within the Finnish forest industry may be interpreted as a reaction to a major change in the competitive setting that gave the newly transformed Finnish companies the necessary competitive muscle to begin reorienting their international involvement strategy towards the expansion of both marketing networks and manufacturing abroad through organic means, by foreign direct investments in sales and marketing subsidiaries as well as some manufacturing subsidiaries. The change of orientation during the phase could be best characterized as taking small cautious steps into the relatively unknown.

The third and latest discontinuity and resultant wave of consolidation may be interpreted as brought about by the severe economic depression in the early 1990s. Due to a prolonged depression, resultant heavy losses, intensified competition due to serious oversupply – and again – some major mergers within the industry, the Finnish forest industry companies – or rather their central owner groups – came to the conclusion that in order to be able to compete in the forest industry "major league" further consolidation within the Finnish forest industry was required. The two most prominent manifestations of this line of thinking among the owners were the mergers between United Paper Mills (UPM) and Kymmene, and between Enso and the Swedish company Stora. The two newly formed companies, UPM-Kymmene and Stora Enso rose to the very top of the pecking order among global forest industry companies, and have remained among the largest forest industry companies in the world ever since. The third major Finnish forest industry company, Metsä-Serla, followed a different route in its rise to be counted among the largest forest industry companies, relying on a strategic alliance.

By gaining in size through mergers and alliances the remaining Finnish forest industry companies were able to revise their international involvement strategy towards a strategy characterized by striking acquisitive moves in order to achieve additional growth through further internationalization. Thus, the period was characterized by forceful action to further increase the

internationalization of both marketing networks and production by means of some impressive moves.

The development outlined above matches quite closely some of the central ideas related to the nature of strategic change presented by Miller (1982), and Miller and Friesen (1980, 1984) of strategic change being characterized by quantum leaps. The proponents of the punctuated equilibrium view of change have presented similar ideas related to the nature of change, it being characterized by relatively long periods of small, incremental change followed by a period of radical change (see e.g. Abernathy & Utterback, 1978; Romanelli & Tushman, 1994; Tushman & Anderson, 1986; Gersick, 1991). This characteristic of strategic change is, as Mintzberg (1987a, 1987c) points out, due to the fact that the concept of strategy is rooted in stability, not change. The very purpose of strategy, according to Mintzberg (1987a), is to reduce uncertainty, to give direction to the organization's efforts, to lay out procedures and common goals, and to establish guidelines for cooperation between organizational members. Thus, strategy, especially once made explicit, is seen as force that *resists* change, not encourages it (Mintzberg, 1987c, 29).

Due to this change-resisting nature of strategy, radical changes in it necessarily occur through revolutionary change: radical strategic change within an organization could be seen as analogous to paradigm change within sciences (Kuhn, 1970); the received strategic perspective is given up reluctantly. The quantum view of strategic change has been suggested to fit large, established, mass-production organizations particularly well (Mintzberg, 1987c) – all very fitting characterizations in the current research setting. The findings of the current dissertation related to the nature of changes in the Finnish forest industry companies international involvement strategy lend support to the above suggestion: the changes in the companies' strategies, as discussed above, may be seen to have emerged through periods of change, and are characterized by discontinuity in the companies' strategic orientation.

In all, the *mid-1990s* is seen in this dissertation as an important watershed in relation to the internationalization (and growth) strategies of the Finnish forest industry companies. The companies clearly revised their growth strategy after having first grown within Finland's borders through organic means, and later through mergers. The same pattern can clearly be seen to have recurred in the strategy of international involvement of the companies: after international expansion through organic means the orientation was shifted towards mergers and later towards acquisitions as the primary means of further increasing international involvement. The changed strategy may be seen to reflect an overall change in strategic thinking within the industry related to the means of growth: instead of growing through capacity-adding investments the emphasis has shifted towards gaining control of capacity. Thus, growth through non-capacity-adding means like acquisitions and mergers has been adopted as the

dominant mode of growth and mode of increasing international involvement of the companies throughout the industry.

To wrap up the development process and the importance of the mid-1990s as a watershed for the Finnish forest industry companies internationalization strategies, the development in a nutshell may be presented as follows: prior to the mid-1990s the companies increased their international involvement via small steps in relatively small-scale operations while standing firmly on Finnish soil. This was done in order to accumulate experiential knowledge from international operations and in preparation for a move towards more demanding, large-scale modes of international involvement characterized by high commitment that took place during the latter half of the 1990s. This change manifested itself in a series of spectacular mergers and international acquisitions not witnessed earlier in the history of the Finnish forest industry which resulted in three companies that could be characterized with reason as having reached the mature stage of internationalization since their operations currently extend to dozens of countries.

YHTEENVETO (FINNISH SUMMARY)

Väitöskirjatyössä tarkastellaan suomalaisittain merkittävän toimialan keskeisten yhtiöiden kansainvälistymiskehitystä, jota lähestytään erilaisista näkökulmista. Työssä tarkastellaan kansainvälistymisilmiötä suomalaisen metsäteollisuuden kontekstissa painottaen viimeaikaisia, lähimpien kuluneiden noin kahden vuosikymmenen ajanjakson tapahtumia. Tarkastelussa kiinnitetään erityistä huomiota suomalaisten metsäteollisuusyhtiöiden kansainvälistymisessään käyttämiin strategioihin. Työn keskeinen tutkimustavoite on tuottaa mahdollisimman kokonaisvaltainen kuvaus ja analyysi kohteena olevasta kansainvälistymisilmiöstä valitussa kontekstissa. Ilmiötä lähestytään paitsi keskeisen analyysi- ja tarkastelutason, yritystason ilmiönä, myös toimialatason, institutionaalisen tason sekä yhteiskunnallisen tason ilmiönä. Erilaisten tarkastelutasojen ja näkökulmien valinnalla aiheen tarkasteluun on pyritty valottamaan työn kohteena olevan monitahoisen ilmiön eri puolia, ja näin muodostamaan tarkasteltavasta ilmiöstä mahdollisimman kokonaisvaltainen käsitys.

Väitöskirja jakaantuu kolmeen pääosaan. Ensimmäisen osan muodostaa johdantoosio, jossa työ asemoidaan osaksi laajempaa organisaatio- ja johtamistutkimuksen kenttää, käsitellään tutkimusalueella aiemmin tehtyä tutkimusta, työn tieteenfilosofisia perusolettamuksia, metodologista orientaatiota, työn viitekehityksen muodostavia taustateorioita, sekä näiden välisiä kytkeitä käsillä olevassa väitöskirjassa. Työn toinen osa muodostuu kolmesta empiirisestä artikkelista, jotka lähestyvät suomalaisten metsäteollisuusyhtiöiden kansainvälistymisilmiötä eri lähtökohdista. Väitöskirjan kolmas osa tarjoaa synteetin väitöskirjaan sisällytetyistä artikkeleista. Samoin kolmannessa osassa reflektoidaan artikkeleiden esittämiä keskeisiä väittämiä sekä artikkeleiden empiirisiä ja teoreettisia kontribuutioita. Väitöskirjan kolmannessa osassa keskustellaan edelleen työn luotettavuuteen ja rajoitteisiin liittyvistä kysymyksistä, sekä esitetään eräitä näkemykseni mukaan hedelmällisiä työn pohjalta nousseita lisäselvitystä kaipaavia jatkotutkimusaiheita.

Työn aiheen valinnan taustalla vaikuttaa näkemys metsäteollisuuden merkityksestä Suomelle ja suomalaisten hyvinvoinnille – erityisesti lähihistoriassa – mutta myös nähtävissä olevassa tulevaisuudessa. Henkilökohtaisen näkemykseni mukaisesti koen metsäteollisuuden olevan myös tulevaisuudessa suomalaisittain tarkasteltuna merkittävä vientiteollisuusala, ja näin ollen koen myös sitä koskevan tietämystämme lisäävän tutkimuksen omaavan sinällään arvoa. Samoin eräänä keskeisenä aiheenvalintaan vaikuttaneena tekijänä voidaan nostaa esiin viime vuosikymmeninä trendinomaisesti voimistunut kansainvälistymiskehitys kaikilla elämänalueilla, joista liike-elämä ei suinkaan

ole vähäisin. Vähätellä ei sovi myöskään omaa mielenkiintoani suomalaista metsäteollisuutta ja sen erityispiirteitä kohtaan aiheenvalinnan ohjaajana. Jos tuon mielenkiinnon alkulähteet ja niiden kytkenät tähän väitöskirjatyöhön haluaisi pukea kysymyksen muotoon, tuo kysymys voisi kuulua seuraavasti: *millä keinoilla alkujaan pienet, syrjäisestä Suomesta ponnistaneet metsäteollisuusyhtiöt kykenivät nousemaan nykyisiin asemiinsa maailmanlaajuisessa mittakaavassa merkittävänä metsäteollisuustoimijoina?*

Väitöskirjan keskeisen osan muodostavat kolme artikkelia voidaankin kukin osaltaan mieltää osavastauksina yllä esitettyyn kysymykseen. Kaikki väitöskirjaan sisältyvät kolme artikkelia lähestyvät kysymystä omista lähtökohdistaan käsin kiinnittäen kuitenkin erityistä huomiota tarkastelun keskiöön sijoitettuun kansainvälistymiskehitykseen, jolla lähtökohtaisesti vaikutti olevan oma merkittävä roolinsa edes osittaisen vastauksen muotoilussa edellä esitettyyn kysymykseen. Tarkastelun lähtökohdiksi valitut näkökulmat ovat vaihtelevasti läsnä väitöskirjaan sisällytetyissä artikkeleissa siten, että artikkeleista ensimmäinen lähestyy suomalaisen metsäteollisuuden (metsäteollisuusyhtiöiden) kansainvälistymiskehitystä ilmiönä, jolla on merkittäviä yhteiskunnallisen tason vaikutuksia. Erityisesti tarkastelun keskiössä on yritys – yhteiskunta – suhteen muutos suomalaisittain keskeisen vientiteollisuustoimialan yhtiöiden kansainvälistymiskehityksen seurauksena. Väitöskirjan toinen artikkeli puolestaan lähestyy suomalaisten metsäteollisuusyhtiöiden kansainvälistymiskehitystä institutionaalisen tason ilmiönä. Instituutio, jota artikkeli tarkastelee lähemmin, on suomalaisten metsäteollisuusyhtiöiden yhteismarkkinointijärjestelmä, ja sen muuttuva rooli suomalaisten metsäteollisuusyhtiöiden keinona kytkeytyä kansainväliseen liiketoimintaan yhtiöiden kansainvälistymisen syventyessä. Kolmas väitöskirjaan sisällytetty artikkeli puolestaan lähestyy suomalaisten metsäteollisuusyhtiöiden kansainvälistymiskehitystä nimenomaisesti yritystason ilmiönä kiinnittäen huomiota yritystasolla tapahtuvaan strategiseen toimintaan, jota artikkelissa lähestytään pelimetaforan kautta. Käytävän pelin tähtäimessä nähdään olevan yritystoiminnan piirin ja mittakaavan laajentaminen pääasiassa Suomen rajojen ulkopuolella.

Väitöskirjassa pyritään yhdistelemällä useita teoreettisia katsantokantoja valottamaan ilmiönä monitahoisen kansainvälistymiskehityksen eri puolia, ja näin saavuttamaan mahdollisimman kokonaisvaltainen käsitys ilmiöstä suomalaisen metsäteollisuuden kontekstissa. Väitöskirjaan sisältyvät artikkelit lähestyvät kansainvälistymisilmiötä paitsi eri analyysitasoilta, myös hyödyntäen erilaisten teoreettisten katsantokantojen tarjoamia mahdollisuuksia valottaa suomalaisten metsäteollisuusyhtiöiden kansainvälistymisen eri puolia. Yhtiöiden kansainvälistymiskehitystä tarkastellaan paitsi yritysten kansainvälistymisen vaihe/prosessiteorioiden (mallien) taustaa vasten, osaltaan myös kansainvälistä tuotantoa selittävien, pohjimmiltaan taloustieteellisten, kansainvälisen kaupan teorioiden varaan rakentuvien teorioiden kautta. Samoin näkökulmia

kansainvälistymisilmiön tarkasteluun väitöskirjassa tarjoavat liiketoimintakulttuureihin liittyvät teoriarakennelmat, yritys – yhteiskunta –suhteen tematiikkaan ja kehitykseen pureutuvat teoriat, sekä yritysstrategiaan ja yleisemmin strategiointiin liittyvä teoretisointi, joita kaikkia käytetään vaihtelevasti taustaidoina, joita vasten tutkimuksen kohteena olevien suomalaisten metsäteollisuusyhtiöiden kansainvälistymiskehitystä peilataan.

Kokonaisuutena tarkastellen väitöskirjalle yhteisen taustalla vaikuttavan viitekehyksen tarjoavat prosessiteoriat. Tämä on sikäli luonnollista, että itse väitöskirjan keskeinen tarkasteltava ilmiö mielletään yleisesti perusluonteeltaan prosessiksi. Jo pelkästään sitä kuvaava termi kansainvälistyminen viittaa muutoksen tilaan: näin *tarkasteltava ilmiö on siis perusluonteeltaan dynaaminen*. Kansainvälistymisen ilmiönä dynaaminen luonne asettaa tiettyjä vaatimuksia tutkimusstrategian valinnalle. Tässä työssä valinta on osunut tarkasteltavan ilmiön sanelemana tulkitsevan, laadullisen pitkittäistutkimusstrategian valintaan tapana lähestyä suomalaisten metsäteollisuusyhtiöiden kansainvälistymiskehitystä.

Valitun tutkimusstrategian osalta väitöskirjatyön perusvirettä voitaisiin kenties parhaiten kuvata hermeneuttiseksi muun muassa työn tavoitteenasettelun valossa. Työn tarkoituksena ei ole tuottaa yleispätevää tai laajasti yleistettävää teoriaa yritysten kansainvälistymisestä, tai edes suomalaisten metsäteollisuusyhtiöiden kansainvälistymisestä, vaan pikemminkin lisätä ymmärtämystä itse kansainvälistymisen prosessista valitussa kontekstissa. Samoin väitöskirjatyön asemoimista hermeneuttisen tradition piiriin tukee ymmärtämisen tavoitteen lisäksi sen tulkitseva ote kohdeilmiönsä käsittelyssä: kansainvälistymisilmiötä tarkastellaan suomalaisten metsäteollisuusyhtiöiden kontekstissa teoreettisten olettamusten kautta, ja teoria ja empiria käyvät vuoropuhelua, jonka pohjalta ilmiöstä muodostettavissa oleva tulkinta nousee. Edelleen hermeneuttisen tradition piiriin kuuluvaksi työtä sitoo erityisesti sen pyrkimys tutkimuksen kohteena olevan ilmiön laaja-alaiseen käsittelyyn: suomalaisten metsäteollisuusyhtiöiden kansainvälistyminen sidotaan sekä leveyssuuntaan että pituussuuntaan muihin ilmiöihin ja tapahtumiin, ajallisesti samanaikaisiin tapahtumiin ja ilmiöiden kehitykseen. Keskeisenä tavoitteena työn tarkastelussa on tietoisesti pyrkiä sitomaan yhtiöiden kansainvälistymiskehitys laajempiin yhteyksiinsä, ja samalla pyrkiä välttämään ilmiön tarkastelemista ikään kuin se tapahtuisi vakuuissa vailla liityntöjä ympäristöönsä.

Kokonaisuutena tarkastellen väitöskirjatutkimuksen keskeiset tulokset hahmottavat detaljeiltaan vaihtelevan kuvan tutkimuksen kohteena olleiden suomalaisten metsäteollisuusyhtiöiden kansainvälistymisessään noudattamista strategioista yhtiökokonaisuuksien tasolla niiden laajentaessa ja syventäessä osallistumistaan kansainväliseen liiketoimintaan. Samoin tutkimuksen tulokset

valottavat osaltaan tuohon kehitykseen vaikuttaneiden tekijöiden monitahoista joukkoa eri analyysitasoilla tarkasteltuna.

Lähestyessään suomalaisten metsäteollisuusyhtiöiden kansainvälistymistä yhteiskunnallisia vaikutuksia omaavana ilmiönä, ja yhteiskunnallisesta näkökulmasta käsin, väitöskirja hahmottaa yritys – yhteiskunta –suhteen keskeisten osapuolten suhteiden muutoksia, joiden tulkitaan olevan seurausta metsäteollisuusyhtiöiden kansainvälistymiskehityksestä. Koko joukosta analysoituja suhteita keskeisimmäksi yritys – yhteiskunta –suhdetta määrittäväksi suhteiden ryhmäksi väitöskirja nostaa kolmikantasuhteen metsäteollisuusyhtiöiden, suomalaisten yksityismetsänomistajien ja valtiiovallan välillä. Edellisen kolmikantasuhteen muodostumisen kannalta kriittiseksi ajanjaksoksi väitöskirja nimeää maailmansotien välisen jakson, jonka kuluessa metsäteollisuudesta kasvoi Suomessa merkittävän mittakaavan teollista toimintaa. Metsäteollisuuden laajentumisen ja kasvun myötä sen merkitys suomalaiselle yhteiskunnalle kasvoi samalla harppauksittain, ja *keskeisen kolmikön – metsäteollisuusyhtiöiden, suomalaisten yksityismetsänomistajien ja valtiiovallan – väliset suhteet kehittyivät vahvan keskinäisen riippuvuuden sävyttämiksi.*

Väitöskirjassa katsotaankin edellisen kolmikön vahvan keskinäisen riippuvuuden säilyneen sen institutionalisoiduttua pääpiirteissään muuttumattomana miltei puoli vuosisataa. Ulkomaisen tuotannon määrää kansainvälistymiskehityksen indikaattorina käyttäen väitöskirjassa todetaan kehityksen olleen erityisen ripeää juuri 1980-luvulta lähtien: toimialatasolla tarkastellen ulkomaisen tuotannon määrä 24-kertaistui kahdessa vuosikymmenessä. Vasta tämä nopeassa tempossa syventynyt metsäteollisuusyhtiöiden kansainvälistymiskehitys 1980-luvulta lähtien siis muutti metsäteollisuusyhtiöiden, suomalaisten yksityismetsänomistajien ja valtiiovallan keskinäisen riippuvuuden perustaa merkittäväällä tavalla. Eräs väitöskirjan keskeinen tulos onkin avaintoimialan yritysten kansainvälistymiskehityksen vaikutusten kytkeminen pitkään vallinneiden institutionalisoituneiden järjestelyiden muutokseen.

Metsäteollisuusyhtiöiden näkökulmasta tarkasteltuna väitöskirjassa todetaan kansainvälistymisen muuttaneen erityisesti yhtiöiden ja suomalaisten yksityismetsänomistajien välistä keskinäistä riippuvuutta jossain määrin metsäteollisuusyhtiöiden eduksi. Kansainvälistymisen myötä yhtiöille on avautunut väyliä suomalaisen puuraaka-aineen korvaamiseksi, mikä osaltaan on jossain määrin pienentänyt metsäteollisuusyhtiöiden ja suomalaisten yksityismetsänomistajien välisen riippuvuuden intensiteettiä. Edellisestä kehityksestä huolimatta on kuitenkin syytä huomata, kuten väitöskirjassa korostetaan, että vahvasti luonnonvarariippuvaisen, ja erityisesti tästä syystä alueellisen luonteensa vuoksi metsäteollisuus on sijaintipäätöksissään sidottu tiettyihin merkittäviin reunaehtoihin, joista merkittävin on turvattu raaka-ainehuolto. Näin ollen väitöskirjassa nähdäänkin suomalaisten yksityismetsänomistajien olevan myös

tulevaisuudessa täällä toimivien metsäteollisuusyhtiöiden näkökulmasta eräs avainsidosryhmä teollisuuden toimintaedellytysten varmistamisen kannalta.

Lähestyessään suomalaisten metsäteollisuusyhtiöiden kansainvälistymiskehitystä erään keskeisen toimialainstituution – yhteismarkkinoinnin, ja sen organisatorisen muodon, myyntiyhdistysten, ja niiden roolin muutoksen kautta, väitöskirja valottaa eräiden trendinomaisten toimintaympäristön muutosten vaikutusta metsäteollisuusyhtiöiden strategiaan kytkeytyä kansainväliseen liiketoimintaan. Keskeiset toimintaympäristön, ja toisaalta toimialan yritysten kansainväliseen liiketoimintaan kytkeytymisen muotoon vaikuttavat muutostrendit, jotka väitöskirjassa nostetaan esiin ovat: taloudellinen integraatio ja globaalistuminen, nousevien metsäteollisuusalueiden yhtiöiden uhka, ja siitä seuraava alueidenvälisen kilpailun lisääntyminen, toimialasyklin heittojen voimistuminen, toimialan keskittymiskehitys yritysostojen ja fuusioiden kautta, voimakas suuntautuminen korkeamman jalostusasteen tuotteisiin, sekä perinteisten omistusrakenteiden muutos.

Väitöskirjassa todetaan kaikilla edellisillä, sekä erityisesti suomalaisten metsäteollisuusyhtiöiden lisääntyvällä ja syvenevällä kansainvälistymisellä olleen omat vaikutuksensa yhtiöiden tekemiin strategiavalintoihin liittyen niiden tapaan kytkeytyä kansainväliseen liiketoimintaympäristöön, ja harjoittaa kansainvälistä liiketoimintaa. Siinä missä myyntiyhdistykset olivat ennen 1990-luvun vaihdetta menestyksellisesti lievittäneet suomalaisyhtiöiden pienuuden ongelmaa, ja tarjonneet yhteisen julkisivun maailmanmarkkinoilla, toimien samalla riskien ja kustannusten jakamisen, sekä markkinoiden yhteistyössä kilpailijoiden kesken tapahtuneen sisäistämisen välineenä, tarjoten näin tavallisesti vain suurten yhtiöiden ulottuvilla olevia keinoja operoida kattavasti maailmanmarkkinoilla, nämä aiemmat pienuuden ongelmat oli pääsääntöisesti voitettu yhtiöiden omin toimin 1990-luvun puoliväliin mennessä.

Väitöskirja nostaakin 1990-luvun puolivälin jo aiemmin käynnistyneen kehityskulun käännepisteeksi. Paitsi että pienuuden ongelmat väistyivät tuossa vaiheessa, myös toimialalla pitkään puheen tasolla esillä ollut, ja näin varsin tiedostettu asiakassuuntautuneisuuden lisäämisen tarve sai konkreettisia ilmenemismuotoja yhtiötason käytännön toiminnassa. Tämän kehityksen ilmentymänä väitöskirjassa nähdään yhtiöistä erityisesti Enso-Gutzeitin ja Kymmenen pyrkimykset rakentaa ensin myyntiyhdistyksille rinnakkaiset markkinointi- ja myyntiverkostot, ja sittemmin täydellinen irtautuminen yhteismyynnijärjestelmästä. Saman kehityksen ilmentymänä työssä nähdään myös Yhtyneiden Paperitehtaiden ja Metsä-Serlan vastaavat, joskin rajoitetummassa mittakaavassa tapahtuneet verkostonrakennuspyrkimykset.

Yhtiöiden toimintaympäristössä tapahtuneet muutokset yhdessä yhtiöiden muuttuneen strategisen orientaation kanssa nostetaan väitöskirjassa keskeiseksi yhteismyynnijärjestelmän nopeaan rapautumiseen johtaneeksi tekijäksi kansainväliseen liiketoimintaan liittymisen pääasiallisena keinona. *Avainrooli*

yhteismyyntijärjestelmästä luopumisessa luetaan nimenomaan strategisille näkökohdille. Kiristynyt kilpailu ja suomalaisille metsäteollisuusyhtiöille keskeisillä kustannus- ja painoasiakastoimialoilla tapahtunut keskittymiskehitys pakotti toimintatapojen uudelleenarviointiin. Kaiken kaikkiaan eräs väitöskirjan keskeisistä tuloksista onkin toimintaympäristön muutoksen ja tuohon muutokseen liittyvien strategisten näkökohtien korostaminen yritystason liikkeellepanevana voimana yhtiöiden uudelleenarvioidessa pääasiallista tapaansa kytkeytyä kansainväliseen liiketoimintaan.

Lähestyessään kansainvälistymistä yritystason ilmiönä väitöskirja kiinnittää erityistä huomiota juuri edellä mainittuihin strategisiin näkökohtiin ja yrityskohtaisiin kansainvälisen toiminnan laajentamiseen tähtääviin strategisiin prosesseihin. Erityisesti tarkastelu keskittyy suomalaisten metsäyhtiöiden tuotannollisen toiminnan laajentamiseen Suomen rajojen ulkopuolelle, ja toisaalta yhtiöiden aktiivisuuteen omien markkinointi- ja myyntiverkostojen rakentajina. Eräs väitöskirjan keskeinen *yritystason tarkasteluun pohjaava tulos on havainto 1990-luvun puolivälin tietämiin ajoittuneesta strategisen orientaation muutoksesta.* Orientaatiomuutoksen merkkeinä nostetaan esiin havaittava siirtymä kohden alavirtastrategiaa, ilmapiirimuutos kanssakäymisessä kilpailijoiden kanssa: kamppailun sävyttämän kanssakäymisen lisääntyminen, kansainvälisen laajentumis- ja kasvustrategian muutos orgaanisesta laajentumisesta yritysostoin tapahtuvaan laajentumiseen, sekä, heijastellen kasvavaan kapasiteettisäätelyn tarpeeseen heräämistä toimialalla, lisääntynyt suuntaus kohti vanhentuneen kapasiteetin alasajoa ja poistamista tuotannosta. Myös ydinliiketoimintoihin kuulumattomien toimintojen myyntejä pidetään väitöskirjassa eräänä keskeisenä orientaatiomuutoksen indikaattorina.

Väitöskirja tarjoaa osaltaan lisävaloa kansainvälistymisprosessien dynamiikkaan yleensä, mutta erityisesti niiden prosessien dynamiikkaan suomalaisen metsäteollisuuden kontekstissa. Kaiken kaikkiaan *1990-luvun puoliväli nähdään väitöskirjassa vedenjakajana suomalaisten metsäteollisuusyhtiöiden kansainvälistymisstrategiassa.* Jakaessaan metsäteollisuusyhtiöiden kansainvälistymiskehityksen kolmeen toisistaan erotettavissa olevaan vaiheeseen – inaktiivinen, välillinen kansainvälistyminen (myyntiyhdistysten valtakausi), aktivoituminen kansainvälistymispyrkimyksissä (orgaaninen kansainvälinen laajentumien), erityispaino kansainvälistymiselle lisäkasvun väylänä (kansainvälinen laajentuminen yritysostojen ja fuusioiden kautta) – väitöskirja nostaa esiin viimeisimmän, yhä meneillään olevan vaiheen paradigmatavaihdoksen kaltaisena muutoksena suhteessa kansainvälisen laajentumisen strategiaan. Paitsi väitöskirjan tarkastelun kohteena olleiden suomalaisyhtiöiden osalta, toimialalla yleisemminkin on johtavien yhtiöiden osalta havaittavissa selkeä muutos kansainvälisen laajentumisen strategiassa: orgaaninen kasvu vaihtoehtona globaaleja asemia aktiivisesti rakennettaessa on käynyt mahdottomaksi, ja

lisälaajentuminen riittävässä mittakaavassa globaalien asemien turvaamiseksi on mahdollista vain ja ainoastaan yritysostojen ja fuusioiden kautta.

Eräs keskeinen väitöskirjan havainto liittyen suomalaisten metsäteollisuusyhtiöiden kansainvälistymisessään hyödyntämiin strategioihin on, että vaikkakin suomalaisyhtiöt lähestyivät kansainvälistymistä erilaisin strategioin, ja muodostivat kaksi leiriä tai koulukuntaa pääasiallisesti käytettyjen lähestymistapojen osalta, molempiin leireihin lukeutuvat yhtiöt muistuttavat toisiaan kansainvälistymiskehityksensä suhteen. Niin aktiivisemmän strategian kansainvälistymiseen omaksuneiden Kymmenen ja Enso-Gutzeitin/Enson/Stora Enson, sekä edellisiä passiivisemmän (varovaisemman) strategiavalinnan kansainvälistymisensä suhteen tehneiden Yhtyneiden Paperitehtaiden/UPM-Kymmenen ja Metsä-Serlan/M-realin tähänastisen kansainvälistymiskehityksen välitilinpäätökset ja ilmiänsä uuden vuosituhaten alussa muistuttavat toisiaan. Suomalaisten metsäteollisuusyhtiöiden kansainvälistymiskehityksestä puhuttaessa lopputulema on vielä ennaikainen termi: kuten edelläkin on todettu, yhtiökohtaiset prosessit ovat yhä käynnissä, ja näin lopputulos on vielä avoin. Toimialalla maailmanlaajuisesti meneillään oleva keskittymiskehitys ei vielä suinkaan ole saavuttanut päättepistettään.

Näin voidaankin todeta, että väitöskirjatyön tulosten valossa vaikuttaa siltä, että *menestyäkseen globaalissa kilpailussa toimialalla, toimialan johtaviin yrityksiin lukeutuva yksittäinen yhtiö ei voi merkittävästi poiketa pääkilpailijoistaan kansainväliseen liiketoimintaan osallistumisen laajuuden, tai toimintansa maantieteellisen kattavuuden suhteen*. Vaikkakin edellinen havainto ensisijaisesti koskee suomalaisia metsäteollisuusyhtiöitä ja metsäteollisuutta toimialana, voidaan vastaavan säännönmukaisuuden perustellusti olettaa toistuvan, ja toteutuvan myös muilla globaalien kilpailun leimaamilla toimialoilla, jollaisia yhä useamman toimialan voidaan nykyisin arvioida olevan. Edellisenkaltaista yleistettävyyttä, erityisesti metsäteollisuustoimialan piirissä, voidaan ajatella sisältyvän myös väitöskirjan tulosten sisältämiin implikaatioihin liittyen toimialan tulevaan keskittymis- ja konsolidaatiokehitykseen, havaittuun kansainvälistymis- ja laajentumisstrategian muutokseen 1990-luvun jälkipuoliskolla, sekä jakelutien kokonaishallinnan kasvavaan merkitykseen toimialalla. Samoin väitöskirjan tulosten implikoima toimialan kilpailudynamiikan muutos vallitsevasta alueellisesta kilpailusta kasvavassa määrin alueiden väliseksi, ja erityisesti tästä kehityksestä nouseva kasvun välttämättömyys asemien vahvistamiseksi koskee ilmiselvästi myös muita kuin toimialan suomalaisyhtiöitä.

Kokonaisuutena tarkastellen väitöskirjassa nähdään suomalaisten metsäteollisuusyhtiöiden kansainvälistymiskehitykselle leimallisena piirteenä kansainvälisen liiketoiminnan hallitsevien operaatiomuotojen muutos murrosten kautta toisaalta toimialan kilpailuympäristön muutosten seurauksena, toisaalta yhtiöiden strategisten valintojen seurauksena, joille operaatiomuotojen muutosissa luetaan väitöskirjassa varsin keskeinen rooli. Näin suomalaisten

metsäteollisuusyhtiöiden kansainvälistymisstrategian nähdään väitöskirjassa muovautuneen voimien ja vastavoimien puristuksessa: kyseessä on ollut siis monimutkainen dialektinen prosessi, jossa 1990-luvun puolivälillä ja siihen ajoittuneilla tapahtumilla on selkeä vedenjakajarooli. Tuo 1990-luvun puolivälin vedenjakajarooli voidaan tiivistää seuraavasti: ennen 1990-luvun puoliväliä suomalaiset metsäteollisuusyhtiöt lisäsivät osallistumistaan kansainväliseen liiketoimintaan pienin askelin suhteellisen pienen mittakaavan operaatioiden kautta, ja pitivät toiminnallisesti tarkastellen jalat tukevasti kotimaan kamaralla. Samalla yhtiöt kumuloivat kokemusperäistä oppimista kansainvälisistä operaatioista valmistellen vaativampia, suuremman mittakaavan, suuremman sitoutumisen, ja suuremman riskin leimaamia operaatiota, joiden aika koitti 1990-luvun jälkipuoliskolla. Yhtiöiden kansainvälistymisstrategian muutoksen selkeimpinä ilmentyminä nousee esiin sarja yhtiöiden toteuttamia vaikuttavia, suomalaisen metsäteollisuuden piirissä ennennäkemättömän kokoluokan fuusioita ja kansainvälisiä yritysostoja, joiden tuloksena syntyivät kolme nykyisin jäljellä olevaa, maailman suurimpiin metsäteollisuusyhtiöihin lukeutuvaa suomalaisyhtiötä, joita kutakin voidaan hyvällä syyllä luonnehtia kansainvälistymiskehityksessään kypsyyssvaiheen saavuttaneiksi yhtiöiksi niiden toiminnan ulottuessa kymmeniin maihin.

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