Managerial learning from social capital during internationalization

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Abstract.

This study explores managerial learning from social capital during internationalization. Its two research questions are these: (1) how different managers perceive, interpret, and respond to foreign-market institutions, and (2) how connections, relations, and cognition enhance managerial learning. Using an interpretive approach, the study analyzes patterns of internationalization and strategic decision-making in four contrasting Norwegian case companies that internationalize to the Russian oil and gas market. The findings show that the managers of the case companies hold similar perceptions about foreign-market institutions, but that they interpret and respond to those institutions from various levels of learning, resulting in different enactment on institutions. Managers learning at a "higher" level adapt patterns and decisions to ensure institutional conformity, while those at a "lower" level makes minor adjustments in patterns and behavior only when necessary and therefore maintain institutional conflict. Further, the findings show that all three dimensions of social capital have a vital role in enhancing managerial learning, but that the various forms that the dimensions can appear as, affects the learning process. Furthermore, the findings show that managers who share cognitive frame of reference with few embedded relationships are better equipped to interpret and respond to institutions. This study contributes fresh insight about managerial enactment on foreign-market institutions, and reconciles our understanding about social capital as embraced by the structural, relational, and cognitive dimensions. This study also contributes to a greater understanding about how the three dimensions of social capital ought to be formed to enhance managerial learning.

Keywords: Social capital; organizational learning; internationalization; foreign-market institutions; subsidiary; Russia

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1. Introduction

Recent research about companies' internationalization process—specifically, when managers face ambiguity and dissonance because of unfamiliar foreign-market institutions—has emphasized the relevance of managerial learning about institutions from one's social capital (e.g., Collins & Hitt 2006; Dhanaraj, Lyles, & Steensma 2004; Griffith, Zeybek, & O`Brien 2001; Hau & Evangelista 2007; Shi et al. 2014). Here, "learning" deals with how managers acquire and assimilate knowledge about foreign-market institutions, as well as how managers perceive, interpret, and respond to institutions (Daft & Weick 1984; Fiol 1994; Huber 1991). According to normative theory, this learning process can occur at a high or low level (Fiol and Lyles 1985; Hedberg 1981). At a "lower level," managers have no intention of making changes in their familiar behavior to confirm to expectations of institutions in the foreign market, and therefore maintain institutional conflict. At a "higher level," managers make profound changes in their behavior to expectations of foreign-market institutions, and therefore ensure institutional conformity.

Accordingly, many scholars have studied how the managerial learning process unfolds during internationalization to foreign markets with unfamiliar institutions and how social capital can foster learning (Lindstrand, Melèn, & Nordman 2011; Nahapiet and Ghoshal 1998; Presutti, Boari, & Fratocchi 2007).

"Social capital" speaks to all resources, including knowledge about foreign-market institutions and insight about appropriate patterns of internationalization and strategic decision-making, that can be gained through rich social networking with relations in the foreign market and a shared cognitive frame of reference with these relations. Building on an early conceptualization of social capital by Nahapiet and Ghoshal (1998), scholars have created a growing literature about how managers invest in the structural, relational, and cognitive dimensions of social capital, and in what form these dimensions should appear to enhance learning during internationalization (Lindstrand, Melèn, & Nordman 2011; Presutti, Boari, & Fratocchi 2007). But within this literature, many scholars tend to focus on only two of the three dimensions. For instance, whereas some scholars have studied just the structural and relational dimensions (Moran 2005; Koka & Prescott 2002; Rowley, Behrens, & Krackhardt 2000; Yli-Renko, Autio & Tontti 2002), others have studied just the relational and cognitive ones (Coeurderoy et al. 2012; Eriksson & Chetty 2003; Lane, Salk & Lyles 2001).

The literature also offers us inconsistent findings about how the three dimensions of social capital ought to be formed to foster learning. There is no consensus yet on whether managers ought to build connections in the foreign market with links to governing bodies and authorities,

or whether they ought instead to build bridges or bonds with key business managers in the foreign market to enhance learning (Jansson & Sandberg 2008; Sandberg 2013; Shi et al. 2014). Further, there is conflicting evidence as to whether learning is enhanced through arms-length relations or, instead, through embedded relationships with the managers' connections in the foreign market (Dhanaraj, Lyles, & Steensma 2004; Griffith, Zeybek, & O`Brien 2001; Hau & Evangelista 2007). Finally, the studies also disagree as to whether managers ought to ensure cognitive resonance toward foreign-market institutions, where managers' interpretation and response to institutions are in line with the cognitive frame of reference of their connections in the foreign market (Minbaeva et al. 2002; Zahra & Hayton 2008; Wu & Voss 2015). Or whether managers can maintain cognitive dissonance, so that their interpretation and response toward institutions are rooted in their familiar cognitive frame of reference embedded in their home market.

Given all this inconsistency, there is a need to reconcile a proper conceptualization of the three dimensions of social capital, and also to clarify the appropriate forms of those dimensions so as to best foster managerial learning during internationalization (Adler & Kwon 2002; Koka & Prescott 2002).

Studies on this topic have also mainly addressed how managers acquire and assimilate knowledge about foreign-market institutions, but provide few insights into exactly how they interpret and respond to that knowledge. Therefore, we need to enhance our understanding of how knowledge turns into active learning—that is, when managers actually change patterns of internationalization and adapt strategic decisions to ensure institutional conformity (Dimitratos et al. 2014; Engelhard & Nägele 2003; Hau & Evangelista 2007; Mu, Gnyawali & Hatfield 2007; Saka-Helmhout 2007).

I aim here to provide a better understanding of how the managerial learning process unfolds during internationalization when challenged by foreign-market institutions and how managers' investment in social capital can enhance learning. More specifically, I will explore two research questions: (1) how different managers perceive, interpret, and respond to foreign-market institutions, and (2) how connections, relations, and cognition enhance managerial learning. My analysis is based on two theoretical perspectives. First, I investigate the managerial learning process by analyzing how different managers perceive, interpret, and respond (Daft & Weick 1984; Fiol 1994; Hedberg 1981; Huber 1991) to foreign-market institutions, and whether this learning process occurs at a "higher" or "lower" level of learning as this directs different enactment toward foreign institutions (Hedberg 1981; Fiol & Lyles 1985). Second, I investigate how social capital can foster learning by analyzing how the constellation of the structural (Burt,

1992; Granovetter 1973; Gittell & Vidal 1998), relational (Polanyi 1966; Powell, 1990; Ussi 1997), and cognitive (Berger & Luckmann 1966; Bruner 1991; Bruner 1998; Pondy & Mitroff 1979) dimensions of social capital has been formed, as this directs different opportunities for learning about foreign-market institutions (Burt 1992; Granovetter 1992; Nahapiet & Ghoshal 1998; Putnam 1995).

Using an interpretive approach, I have studied managerial learning from social capital in four contrasting cases. Each case focuses, in turn, on the internationalization process lead by a manager of some Norwegian company that invests in the Russian market. Thus, investigating managers that faces all the challenges of dealing with unfamiliar institutions and business culture, with their dauntingly alien norms (Bourmistrov & Mineev 2010; Ghauri & Holstius 1996; Hilmersson & Jansson 2012; Katsioloudes & Isichenko 2007). What these four cases have in common is that each is a Norwegian supply company that has established a foreign subsidiary in the Russian oil and gas market.

Overall, my findings contribute to the research literature on managerial learning from social capital during internationalization (Lindstrand, Melèn, & Nordman 2011; Nahapiet and Ghoshal 1998; Presutti, Boari, & Fratocchi 2007). Specifically, I offer fresh insight into managerial enactment on perceptions on foreign-market institutions, for previous studies mainly focus on how managers acquire knowledge about institutions, meanwhile largely ignoring how they interpret and respond to the knowledge they have acquired. Second, I reconcile an understanding about social capital as consisting of the structural, relational, and cognitive dimensions, as most previous studies focus on only two of these dimensions. Third, I further develop our understanding of what forms these three dimensions ought to appear to enhance managerial learning during internationalization, as previous studies offer divergent findings about appropriate forms of the dimensions.

In what follows, I will offer a conceptual framework about organizational learning during internationalization and how learning can occur from all three dimensions of social capital. I will then lay out my research methodology, followed by empirical findings that are presented in the form of descriptive narratives. Next, I will discuss my findings as they relate to the state of knowledge in the research literature. Finally, I will draw some conclusions from my main findings and outline some limitations of my study.

2. Theoretical background

The various beliefs and assumptions about prevailing regulative, normative, and cultural institutions in a market guide accepted principles for behavior (Scott 2003). Institutional logic

about accepted behavior is rooted in a market's history of culture, politics, and economy. As the history of markets differs, there are multiple logics about appropriate behavior, depending on the market in focus. When managers internationalize to markets based on different logics, they experience a distance between home and foreign-market institutions (Kostova 1999; Kostova & Zaheer 1999; Zaheer & Mosakowski 1997). The greater the perception of "institutional distance," the more challenges managers encounter in making sense of ambiguity and dissonance about appropriate behavior. Institutional theory assumes that managers need to adapt and conform to the institutional context of a market to survive (DiMaggio & Meyer 1983; Meyer & Rowan 1977; Scott 2003).

Here, I want to discuss how theories about organizational learning can help explain how managers act on perceptions about institutional distance to ensure conformity (Dimitratos et al. 2014; Hau & Evangelista 2007; Mu, Gnyawali & Hatfield 2007), and how managers' social capital can foster learning during internationalization (Lindstrand, Melèn & Nordman 2011; Presutti, Boari & Fratocchi 2007; Yli-Renko, Autio, & Sapienza 2001).

The theoretical assumptions underpinning this study depart from the idea that institutional logic in a market guides accepted principles of behavior, and that regulative, normative, and cognitive institutions in a market shape appropriate internationalization. When managers encounter unfamiliar foreign-market institutions during internationalization, they experience ambiguity and dissonance in appropriate behavior and patterns of internationalization. It therefore becomes important to learn about foreign-market institutions, to reduce ambiguity and dissonance, and to successfully enter and operate in a market with "distant institutions." But learning becomes challenging because of the unfamiliarity. In addition, I build on the idea that institutions are constructed in a social context, so that managers' connections, relations, and shared cognition in the foreign market can be a source to foster greater learning during institutional distance. Finally, I build on the idea that learning occurs, for better or worse, when managers make changes in behavior—ideally those changes that build institutional conformity toward foreign-market institutions. These theoretical assumptions are further outlined in the following paragraphs to define a theoretical conceptualization and analytical categories.

2.1. Learning during internationalization

Theories about organizational learning address the ongoing managerial learning process—specifically, how managers best improve their knowledge base and how they act on knowledge to enhance their performance. (See Figure 1.) Managerial learning involves acquiring information about the company's surroundings and drawing sensible inferences from that

information. It further involves managers' ability to integrate new understandings about their surroundings into existing beliefs by reorganizing and restructuring their current knowledge base. When managers make changes in patterns of behavior to ensure fit and consistency with their surroundings, learning occurs at a higher-order (Daft & Weick 1984; Fiol 1994; Hedberg 1981; Huber 1991).

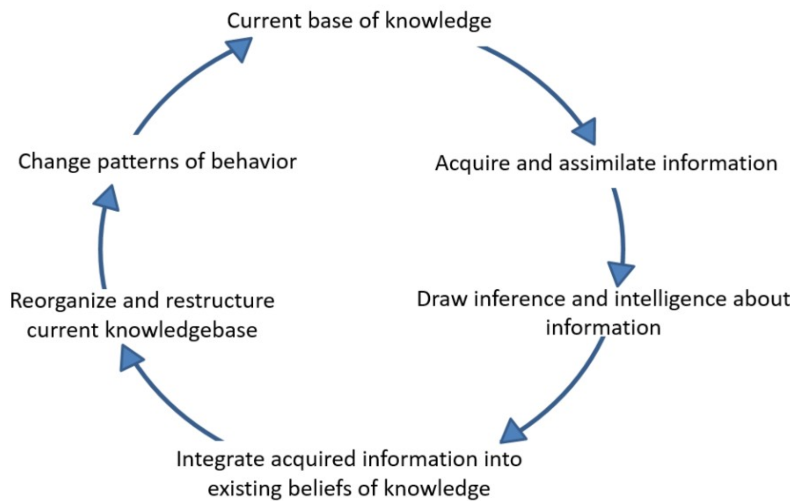

Figure 1: The managerial learning process

The importance of organizational learning during internationalization is widely accepted in the literature. But Saka-Helmhout (2007) criticized the fact that most studies simplistically equate organizational learning with knowledge acquisition, quite ignoring how that knowledge is incorporated into managerial actions. Previous studies that have investigated the role of social capital during internationalization have similarly focused just on knowledge acquisition, thus providing little insight as to how social capital can foster organizational learning (e.g., Yli-Renko, Autio, & Sapienza 2001).

One can also question whether previous studies, while purporting to investigate knowledge acquisition, have actually offered useful insight into how information is processed into knowledge. This question is germane, as organizational learning theories clearly distinguish between mere information and knowledge (Wiig 1997; Newell, 1990). Whereas possessing information about certain conditions is the state of knowing something, having knowledge about conditions is the state of drawing interferences and intelligence about what is known (Daft & Weick 1984; Huber 1991).

So in this paper, instead of addressing just the initial stage of knowledge acquisition, I seek to offer perspectives on how managers differently perceive, interpret, and respond to foreign-market knowledge by illuminating the whole managerial learning process (Daft & Weick 1984;

Fiol 1994; Hedberg 1981; Huber 1991). With this approach, I seek to further develop perspectives on how managers make sense of what is known, and how they utilize their wisdom for commercial ends.

Theorization about various levels of learning has been given different constructs in previous studies, but all of these explain the learning process and the way it guides managerial actions in the same manner. A study by Engelhard and Nägele (2007) assigned the various levels of learning the typologies “single” and “double-loop” learning by building on the earlier conceptualizations of Argyris and Schön`s (1978). Dimitratos, Plakoyiannaki, and Thanos (2014), themselves building on the conceptualization “exploration and exploitation” of March (1991), assigned to the various levels of learning the typologies “managerial” and “entrepreneurial” learning. Pellegrino and McNaughton (2017) also built on March (1991), but applied in their study the typologies “congenital” and “experiential” learning. In this paper, I build on Saka-Helmhout (2007), who conceptualized how learning can occur at a higher or lower level by building on the normative construct by Hedberg (1981) and Fiol and Lyles (1985).

An early study by Schroder, Driver, and Streufert (1967) demonstrated how managers can interpret and respond differently to identical information and experiences in their surroundings. In complex surroundings, interpretation and response are apt to occur from either a fixed, routine-based approach or a flexible, nonroutine-based approach. By building on Schroder, Driver, and Streufert (1967), Hedberg (1981) found that different approaches to interpretation and response imply various levels of learning, ranging from lower-level to higher-level. Fiol and Lyles (1985) later advanced these typologies by also incorporating the conceptualization about single- and double-loop learning that was developed by Argyris and Schön (1978).

At lower-level learning, managers judge everything in their surroundings through the lens of their own convictions and prior experiences of appropriateness. They typically have a fixed system of norms and rules which they never question. So when changes in behavior are made, those changes amount to rarely more than adjustments in organizational peculiarities that affect only minor parts of the company. Such responses are invariably rudimentary and temporary, aimed at narrow behavioral and performance outcomes, with the actual goal being to maintain things pretty much as usual.

At higher-level learning, meanwhile, managers perceive experiences from multiple perspectives that are not limited by their own convictions, since they are receptive to new understandings and have few predefined expectations. In fact, they are okay with questioning the appropriateness of their own norms and rules. Such managers respond to experience by

altering their behavior in response to a new understanding of their surroundings. This often makes for profound changes, and those changes can affect the whole company. Managers respond heuristically in behavioral changes with the aim of modifying fundamental norms and rules embedded in the company for the long term.

In table 1, I summarize the key features of the lower and higher levels of learning, and explain the different learning foci in terms of how managers perceive, interpret, and respond to experiences of their surroundings and the underlying aim of their response. The table is based on the normative theorization of these concepts by Hedberg (1981) and Fiol and Lyles (1985). These concepts are applied as analytical categories in the study I have conducted, when analyzing managers' perceptions, interpretations, and responses to foreign-market institutions.

Learning foci	Lower-level learning	Higher-level learning
Perception	• Identify and perceive experiences from own conviction. • Identify and perceive experiences from previous experiences and expectations.	• Identify and perceive experience from multiple perspectives. • Identify and perceive experiences from new realizations with little predefined expectations.
Interpretation	• Interpret experiences within a fixed system of norms and rules. • Interpret experiences within existing convictions. • Fixed system of convictions is not questioned, experiences are.	• Interpret experiences with reflexivity. • Experiences are viewed from several alternative explanations. • Convicted norms and rules are questioned for their appropriateness.
Respond	• Respond to experiences from own convictions as a repetition. • Adjust organizational peculiarities that affect minor parts of the company. • Responses are rudimentary and temporary.	• Respond to experiences by changing fixed system of norms and rules. • Respond from a new understanding about their surroundings, affecting the whole company. • Heuristic long duration and long-lasting response to experiences.
Aim	• Changes for narrow behavioral or performance outcomes. • Maintain operations as usual.	• Changes for modifying fundamental norms and rules. • Changes for long-term duration.

Table 1: Perception, interpretation and respond to experiences on a lower and higher level of learning.

Saka-Helmhout (2007) found variations in the level of learning by subsidiaries of the same multinational company (MNC), depending on how the different subsidiaries acted on the knowledge flow between, and from, the headquarters in the home market. With similar headquarters constraints, and embedded ideas about appropriate organization and routines, the

subsidiaries had the same basis of pressure. One of the multinational companies studied was found to put intense pressure on the subsidiaries to enforce similar ideas to those of the headquarters. But some of the subsidiaries of this MNC behaved proactively by adjusting organization and routines to adapt to the institutional context of the foreign market, demonstrating a higher level of learning. The other multinational company in that study enabled its subsidiaries to adapt headquarters' ideas to the foreign market. But some of the subsidiaries of this MNC behaved reactively at a lower level of learning by reinforcing knowledge about appropriate organization and routines already existing at the headquarters.

Dimitratos, Plakoyiannaki, Thanos, and Förbom (2014) also found variations in subsidiaries' level of learning, which they explained by the subsidiaries' embeddedness in either the foreign market or the headquarters. Subsidiaries that were highly embedded at the headquarters with a clear corporate mandate and with little decision-making authority learned at a lower level. Subsidiaries with high embeddedness in the foreign market and with the autonomy to act and make decisions learned at a higher level. An earlier study by Mu, Gnyawali, and Hatfield (2007) also demonstrated that subsidiaries' embeddedness in the foreign market fosters a higher level of learning, as these subsidiaries have more awareness, motivation, and intention for making sense of the foreign market.

In the same vein, Hau and Evangelista (2007) showed variations in learning intent by joint ventures, arguing that a strong learning intent by managers fosters better and faster learning and that managers with high learning capability are better equipped to interpret and integrate new knowledge into existing beliefs (Engelhard & Nägele 2003; Hamel 1991; Minbaeva et al. 2002; Tsang 1999). The study further found that learning intent must be integrated at both the individual and organizational level. At the individual level, those employees involved in internationalization and who interact with connections and relations in the foreign market must have a positive attitude toward learning. At the organizational level, there must be some pre-defined learning objectives that create a learning environment and that guide individuals' learning intent. Liu, Ghauri, and Sinkovics (2010) showed similar findings, and added that knowledge acquired at the individual level must be disseminated at the organizational level for the learning effect to be maximized and not limited to a few individuals in the company.

In this study, I depart from these empirical discussions when analyzing how managers perceive, interpret, and respond to foreign-market institutions during internationalization. I will now outline a conceptualization of social capital and discuss empirical findings about how social capital can foster managerial learning during internationalization.

2.2. Social capital.

"Social capital" consists of resources arising from managers' connections in a network structure, their relationships with connections, and the relations' shared cognitive frame of reference (Burt 1992; Granovetter 1992; Nahapiet & Ghoshal 1998; Putnam 1995). Nahapiet and Ghoshal (1998) build on earlier normative literature when defining three distinct but interrelated dimensions to the concept of social capital: the structural, relational, and cognitive dimensions.

But as I mentioned in the introduction, empirical research about learning from social capital has assigned various dimensions to the concept of social capital, although the main reference is Nahapiet and Ghoshal (1998). Whereas some studies include only the structural and relational dimension (Moran 2005; Koka & Prescott 2002; Rowley, Behrens, & Krackhardt 2000; Yli-Renko, Autio & Tontti 2002), others include the relational and cognitive dimension (Coeurderoy et al. 2012; Eriksson & Chetty 2003; Lane, Salk, & Lyles 2001). Yet still others have assigned to social capital either a structural and resource dimension (Agndal, Chetty, & Wilson 2008; Ebers & Maurer 2014) or a structural, relational, and resource dimension (Castro & Roldán 2013; Yli-Renko, Autio & Sapienza 2001).

Nevertheless, since most of previous studies emphasize the dimensions assigned by Nahapiet and Ghoshal (1998), either collectively or individually, I seek here to further develop an understanding of social capital as an interrelation between the structural, relational, and cognitive dimensions.

Those three dimensions can occur in different constellations, as illustrated in Table 2. I will now define the various dimensions of social capital, then discuss the empirical evidence regarding how it can facilitate learning during internationalization.

Dimensions of social capital	Different forms of the dimensions				
Structural dimension	Bridging	◄······	Linking	······►	Bonding
Relational dimension	Arms-length relations	◄······		······►	Embedded relations
Cognitive dimension	Cognitive dissonance	◄······		······►	Cognitive resonance

Table 2: Three dimensions of social capital and its different forms.

2.2.1 Structural dimension

The structural dimension of social capital involves managers' connections in a network structure—namely, with whom one is connected and how the constellation of connections is constructed (Burt 1992; Granovetter 1992; Nahapiet & Ghoshal 1998). The constellation can be

formed by bonding, bridging, or linking connections (Granovetter 1973; Gittell & Vidal 1998). *Bonding* indicates frequent interaction between connections with shared identities and emotional closeness that over time build mutual trust, dependency, and reciprocity. The interaction over time between these connections builds tightly coupled connections that form dense network clusters. *Bridging* refers to connections that span dense network clusters that otherwise are disconnected, forming sparse network clusters. Sparse connections indicate irregular and sporadic interaction between loosely coupled connections, and the absence of shared identity and emotional closeness.

Whereas bonds and bridges are horizontal connections between people sharing an interest and purpose in business, *linking* refers to vertical connections between representatives of companies and representatives in the public sector and in governmental bodies and authorities (Adler & Kwon 2002; Hitt, Lee & Yucel 2002). *Linking* refers to connections created with bureaucrats, politicians, and political parties that have the authority and power to influence the activities and resources of a company through governance, policies, and grants. *Linking* also encompasses connections with public services such as municipality administration, border customs, and infrastructure services that may have facilities to ease business processes and approve business activities. Linked connections also have sporadic interactions and are loosely coupled through sparse network clusters.

2.2.2. Relational dimension.

Whereas the structural dimension of social capital concentrates on impersonal connections and network configurations, the relational dimension is concerned with the interpersonal relationship between connections (Granovetter 1992; Nahapiet & Ghoshal 1998; Moran 2005). Interpersonal relationships can be arrayed on a continuum of relations, with arms-length relationships on one end and embedded relationships on the other (Polanyi 1966; Powell, 1990; Ussi 1997).

Arms-length relationships are created mainly for conducting transactions of commodities with relations that have limited personal involvement and no intentions of future obligations or commitment. These forms of relations are associated with managers who are motivated by self-interested, short-term, and profit-seeking behavior. A premise for such transactions is that managers hold complete information about the foreign market, which neglect the dynamics and complexity in markets that can influence exchange.

On the other continuum, embedded relationships entail sequential transactions and interaction between relations, where those relationships matter to such an extent that they are

defined as a commodity. These relationships require great effort and time to establish and maintain, and are therefore intended to be long-lasting, carrying expectations of obligation and commitment to one another with norms of reciprocity. Managers associated with such embedded relationships have both altruistic motives and a long-term, profit-seeking perspective. Information in such transactions is expected to be available through structures of relationships and is exchanged in a changing and complex market.

2.2.3. Cognitive dimension.

The cognitive dimension of social capital is a rather abstract construct rooted in an epistemological concern about the nature of knowledge. By building on the assumption of a socially constructed reality (Berger & Luckmann 1966), Nahapiet and Ghoshal (1998) expect that shared language (Pondy & Mitroff 1979) and narratives (Bruner 1991; Bruner 1998) between relations in a market facilitate exchange and transfer of knowledge. Unlike the impersonal and interpersonal focus in the structural and relational dimension, the cognitive dimension is grounded on intersubjectivity based on relations' shared cognitive frame of reference with a common consensus about meaning attachment to certain experiences in the market and appropriate behavior.

A shared cognitive frame of reference is expected to enhance managers' access to knowledge and their interpretation of, and response to, knowledge in accordance with what is perceived to be the objective understanding in a particular market, thereby ensuring cognitive resonance (Berger & Luckmann, 1966; Pondy & Mitroff 1979). When the frame of reference differs between relations in a market, cognitive dissonance and conflict restrict access to knowledge and limit managers' ability to interpret and respond to knowledge in its context, since they apply another set of meaning constructions to experiences and behavior (Nahapiet & Ghoshal 1998).

2.2.4. Learning from social capital

As already emphasized, research that has investigated learning from social capital has limited its perspective to knowledge acquisition, and therefore provides scant insight into how acquired knowledge is made sense of and applied by changing behavior and adapting decisions. Nevertheless, in this study I build on the existing literature that has enhanced our understanding about how social capital can foster knowledge acquisition, while attempting to develop further insight into how social capital can enhance the whole managerial learning process during internationalization.

Nonetheless, previous studies have demonstrated different findings about the interrelation between the three dimensions of social capital and the appropriate forms of these dimensions for acquiring knowledge (Lindstrand, Melèn, & Nordman 2011; Presutti, Boari, & Fratocchi 2007). The latter trio studied how social capital can be a source for knowledge acquisition in start-up companies when entering foreign markets. Their findings demonstrated that the structural dimension of social capital is particularly important for knowledge acquisition. They argued that managers ought to develop weak ties by bridging connections with a breadth of foreign customers to enhance knowledge acquisition. Embedded relationships and shared cognition were found to constrain knowledge acquisition, since trust-based relations reduce managers' incentives to search for new knowledge. Instead, they rely on the knowledge possessed by their relations, thus creating information redundancy.

These findings align with an earlier study by Yli-Renko, Autio, and Sapienza (2001) that investigated knowledge acquisition from the structural and relational dimension. These authors argued that embedded relationships and shared cognition reduce the need for monitoring the market and that managers fall into a state of expecting knowledge to be provided when needed, with little effort to search for new knowledge themselves.

Lindstrand, Melèn, and Nordman (2011) showed contrasting findings in their study about social capital as a source for knowledge acquisition, together with a perspective on social capital as a source for raising financial resources. Their findings demonstrated that the structural dimension of social capital is fundamental for both acquiring knowledge and finances, but that connections in a network are not enough. The authors argued that managers also need to develop trust-based relationships through frequent interactions with connections that share frames of reference and experience with similar working background.

Previous studies that have investigated the interaction between the structural and relational dimension of social capital demonstrate similar findings, namely, that embedded relationships are important to the acquisition of knowledge about foreign markets (Collins & Hitt 2006; Dhanaraj, Lyles & Steensma 2004; Hau & Evangelista 2007; Moran 2005). These studies argued that embedded relationships based on principles of reciprocity increase interaction between connections that motivates knowledge transfer (Dhanaraj, Lyles & Steensma 2004; Griffith, Zeybek & O`Brien 2001; Hau & Evangelista 2007; Liu, Ghauri & Sinkovics 2010). In the same vein, some studies have argued that managers often enter strategic alliances and joint ventures in foreign markets to develop embedded relationships, believing that such relations facilitate knowledge transfer (Dhanaraj, Lyles, & Steensma 2004; Griffith, Zeybek, & O´Brien, 2001; Liu, Ghauri, & Sinkovics 2010).

A 2012 study by Coeurderoy, Cowling, Licht, and Murray, which investigated the interaction between the relational and cognitive dimensions of social capital, found that relations are important because one can learn from observations and transfer of knowledge from more experienced companies in the market. They further found that absorptive capacity—the ability to recognize and assimilate valuable knowledge (Cohen and Levinthal 1990)—enhances companies' likelihood of survival in a foreign market. Earlier studies by Lane, Salk, and Lyles (2001) and Eriksson and Chetty (2003) also found that strong relations with few connections in the foreign market enhance learning, and that absorptive capacity is strengthened through relationships with connections in the market.

Discussions in the previous paragraphs reveal that the empirical literature has assigned different dimensions to the concept of social capital and demonstrate conflicting findings about the role of each dimension and their interrelation to enhance organizational learning. I build on this stream of research when analyzing how social capital can enhance organizational learning during internationalization by applying the structural, relational, and cognitive dimensions as analytical categories. I will now elaborate on these analytical categories and provide a more overarching outline of the method I employed in this study.

3. Method

I have taken an interpretive approach to explore how managerial learning evolves during internationalization and how social capital can foster learning. This approach has let me illuminate managerial interpretations and meaning attachment to this phenomenon, providing descriptions from the viewpoint of subjective experiences (Stake 1995; Van Maanen 1979; Welch et al. 2011). The phenomenon was studied in close relation to the contextual setting, by placing emphasis on peculiarities of context that could constrain or endorse learning (Stake, 1995; Vaivio 2007). As the study investigates learning from social capital when internationalizing to institutionally distant markets, theorization is limited to the context of institutional distance (Vaivio 2007).

This context is explored with empirical evidence from Norwegian managers that internationalize into the Russian market. Research literature has for many years shown that Norwegian managers experience challenges when expanding into the Russian market, particularly because of these markets' different logic about rules, norms, and culture (Bourmistrov & Mineev 2010; Ghauri & Holstius 1996; Hilmersson & Jansson. 2012; Katsioloudes & Isichenko 2007), making this an appropriate example to use when investigating organizational learning when constrained by foreign market institutions.

3.1. Case sampling

In line with calls for more research that consider context as sensitive (Poulis, Polius, & Plakoyiannaki 2013), I have emphasized the uniqueness of the context in the methodological decisions (Ghauri 2004; Welch et al. 2011). I conducted a multiple case study to provide in-depth knowledge about the phenomenon in its context, and to draw inferences about the phenomenon from similarities and differences between the subjective experiences in the multiple cases (Tsang 2013; Yin 2014).

Cases were selected with a purposive sampling approach, aiming for maximum variation between companies' abilities for learning. The sampling approach was conducted in two steps. The first step was mainly driven by empirical concerns; the second was theoretically driven. Initially, I used three criteria to identify a population of potential cases that operated in the Russian market. Then I used two criteria to sample companies with maximum variation in learning ability. My identification of potential cases was based on the following three criteria and their rationale.

First, the company should offer complex solutions and products to the upstream oil and gas market. Such solutions and products require greater involvement with customers for unique deliveries extending over a long time-period than the companies offering services, like data-driven solutions and software, that require little involvement and less time.

Second, the company should offer solutions and products to field development of oil and gas projects. Such solutions require greater integration with other suppliers to a field than solutions and products that are delivered earlier or later in the value chain of oil and gas.

Third, the company should have a direct investment in the Russian market. Foreign direct investments require greater resource commitment with a local presence that imposes excessive costs and greater risks, compared to simply exporting products to the foreign market (Hollender, Zapkau & Schwens 2017; Pan & Tse 2000). These companies also have better premises for acquiring foreign-market knowledge and abilities for integrating knowledge and changing behavior to meet the expectations of the foreign market (Hollender, Zapkau & Schwens 2017; Pan & Tse 2000).

These criteria included companies with similar contextual background and with the same degree of involvement in, and commitment to, the Russian market. I therefore assume that the populations of such companies share a similar understanding about prevailing institutions and principles for behavior in the home market, and also encounter similar distance in institutions when expanding into the Russian market.

The first step in the case sampling resulted in twelve companies that met my three criteria.

These companies were chosen out of the 2,000 companies that constitute the Norwegian supply industry to oil and gas activities (Norwegian Petroleum Agency, 2012). My sampling of these companies was based on interviews with Norwegian trade organizations and by searching through their free-accessed databases (Presutti, Boari & Fratocchi 2007). My interviews with respondents from the Norwegian-Russian Chamber of Commerce, Norwegian Energy Partners, and Credit guarantee for Norwegian export companies, ensured a clear overview of companies with foreign direct investment in Russia. The databases provided a full overview of the various supply companies, the products and services they offered, and at what stage of the value chain they delivered. To ensure accuracy, I conducted phone interviews with any companies that had me questioning whether they actually met my criteria, such as companies with investments in the market but with no activities or companies that were on their way to exit the market.

The final sampling of cases was based on two main criteria to ensure differences in organizational conditions that could influence variations in learning ability, based on previous empirical research findings. First, the companies should have different degrees of international experience, as measured by the number of their global subsidiaries and their years of experience in the Russian market. Previous research has found that international experience represents a valuable tacit knowledge about how to appropriately organize and manage subsidiaries in different foreign markets (Eriksson et al. 1997; 2000; Hollender, Sapkau, & Schwens 2017). Experience in a variety of international markets exposes managers to different business practices and problem-solving strategies (Hohenthal, Johanson & Johanson 2014), and that in turn better equips them to make sense of, and respond to, different market conditions (Cieslik, Kaciak & Thongpapanl 2015; Dow & Larimo, 2011). International experience has further been shown to enhance managers' capacity to learn (Presutti, Boari, & Fratocchi 2007; Zahra & Hayton 2008; Coeurderoy et al. 2012). Broad experience in one foreign market has also been shown to enhance managers' access to and interpretation of foreign-market knowledge (Presutti, Boari & Fratocchi 2007; Lindstrand, Melèn, & Nordman 2011). In the sampling selection, I therefore based the case selection on the assumption that cases with a different number of global subsidiaries and years of experience in the Russian market (documented by the year of established subsidiary in the Russian market) could reveal variations in managerial learning.

Second, the companies should have different degrees of resource commitment in the Russian market with regard to their ownership structure and organizational size. Research has shown that the various modes of ownership structure provide various levels of access to foreign-market knowledge and have different premises for learning (Muniady et al. 2015). I therefore

expect that cases with different ownership structure (documented by the entry-mode classification by Pan & Tse 2000) would disclose variations in learning. Research has also shown that organizational size, as measured by the number of employees, provides various amounts of resources to spend on searching for and interpreting foreign- market knowledge (Presutti, Boari, & Fratocchi 2007). I therefore further expected that variations in organizational size (documented with number of employees in the home market and in the Russian market) would reveal variations in learning.

From the second sampling approach, I selected four cases from the sample population to represent the maximum variation in learning ability. This made it possible to detect uniqueness and diversity in learning, and to identify common patterns of learning to make an aggregated representation of the population (Huber & Power 1985).

The sampling approach resulted in cases with similar contextual backgrounds but with different organizational conditions that would capture maximum variations in managerial learning. My selection of the final four cases strove for archetypical cases to represent the different organizational conditions. The following cases were finally selected for empirical investigation:

Organizational conditions / Cases	International experience		Resource commitment	
	Total global subsidiaries	Establishment in Russia	Ownership structure	Employees in Norway/Russia
Alpha	13	2003	Greenfield (sole owner)	3,800/70
Bravo	13	2011	Greenfield (majority owner)	400/11
Charlie	3	2005	Acquisition	1,800/180
Delta	30	1995	Representative office /Joint venture	24,000/20

Table 3: Sample of case companies

3.2. Data collection

In the autumn of 2012, I conducted in-depth interviews with respondents from the four case companies. I chose the respondents based on their insight and knowledge about the phenomenon studied. My main selection criteria were that they should have direct involvement with the company’s investments in the foreign market since the year of establishment of the subsidiary (Moran 2005) and hold a managerial role (Dhanaraj, Lyles, & Steensma 2004). This

could ensure that they were the ones most involved with the investments and knowledgeable about the internationalization process, and that they were the first recipients of foreign-market knowledge and facilitators for learning.

From the case companies I am calling Alpha and Bravo, the respondents are the Country Manager of the Russian market. In Charlie, the respondent is the Chief Executive Officer, and in Delta the respondent is the General Director of the representative office that binds and manages all their different modes of ownership in the market. Three of my interviews were performed in person, while one interview was conducted with videoconference through Skype. These two approaches for conducting interviews, though relatively different in their format, have similar outputs (Morgan & Symon 2004; Quinn et al. 1980).

I conducted semi-structural interviews to ensure flexibility. I wanted to direct the discussions to the respondents' interests and emphasis on particular topics and to allow follow-up questions based on their engagement (Alvesson 2011). The interview guide was designed from the theoretical constructs of organizational learning and social capital, by capturing managers' perception, interpretation, and response to foreign-market institutions, and the role of connections, relations, and cognition to foster better learning.

As the respondents needed to reflect on retrospective experiences about the internationalization process, the uncertainty about inaccuracy arises because of the potential for providing incomplete information thanks to the limitations of recall and biased perceptions by the respondents (Huber and Power 1985). To limit such uncertainties, I would ask for both factual details and illustrative situations and episodes (Agndal, Chetty, & Wilson 2008; Huber & Power 1985). These interviews were transcribed and then sent back to the respondents to allow for changes, such as adding to or withdrawing information they had given (Huber & Power 1985).

3.3 Data analysis.

A first- and second-order analysis of the empirical data was conducted from a categorical analytical framework (Gioia & Chittipeddi 1991; Van Maanen 1979). The first-order analysis was conducted by writing descriptive narratives about learning during internationalization and how the three dimensions of social capital had been a source for learning. The narratives were written from the viewpoint of the managers themselves (Geertz 1973; Schwandt 2007) to provide high accuracy to the empirical data (Czarniawska 2004).

A second-order analysis was performed to capture theoretical constructs from the narratives. Emerging topics and themes from the narratives were systematically organized and assembled

in accordance to the theoretical constructs of organizational learning and social capital (Gioia & Chittipeddi 1991; Glaser & Strauss 1967; Langley 1999; Van Maanen 1979). The empirical data was examined against the theoretical constructs to find explanatory dimensions at a higher level of abstraction than the respondents' common-sense interpretations, thereby providing a deeper explanation about the phenomenon. The coding approach I adopted in this study is similar to and inspired by two studies conducted by Pellegrino and McNaughton: their study from 2015, dealing with internal and external sources for learning and their effects on an incremental internationalization process, and their study from 2017, dealing with how sources for learning change in various stages of the internationalization process.

4. Empirical findings

In this section, I outline a first-order analysis about the case companies' patterns of internationalization (from initial establishment till the today's operations) and strategic decisions (e.g., entry mode, ownership and management structure, communication/contact between the headquarters and the subsidiary, and the governing of corporate culture and norms and national culture and bureaucracy) made by the manager when challenged by institutions of the foreign market. I retell and assemble critical experiences by managers of the case companies that have driven internationalization forward, and that have constrained and facilitated for the managerial learning process. The stories are clustered within the three dimensions of social capital to reveal how these dimensions have been a source for learning.

4.1. Structural dimension

Alpha established a representative office in Moscow in the 1990's. During its first ten years in the market, it made only small and sporadic deliveries. In 2003, the Country Manager (CM) recognized opportunities for increasing deliveries to a growing offshore subsea market. The CM also understood the usefulness of connections to access potential customers and governmental bodies and authorities. He therefore contacted Alpha's main potential client and arranged several formal meetings and presentations about his company's expertise and products for the subsea market. His sporadic interactions with the client increased over the following years, but eventually he encountered challenges. The main contact point at the client company experienced internal pressure and constraints, as the top management disapproved of the time and resources being spent on the foreign company. The top management could only accept the intensive interaction if the two companies entered into a strategic alliance. That alliance was struck in 2005, and it proved fruitful, resulting in increased demand for subsea solutions.

Meanwhile, the CM, recognizing further potential in the market, decided to establish a subsidiary in Moscow in 2007. When establishing it, he was informed by his alliance partner that the Russian government required at least 60% local content in all deliveries to oil and gas projects. To meet this requirement, the CM decided to build a local production facility with a native workforce. Thus, a production facility was established in St. Petersburg, and an agreement was reached with a Russian university to offer a postgraduate engineering program in subsea technology. The CM stresses that the postgraduate program was a means not only for building a native workforce, but also for political recognition and reputation: "*The Russian government can see that we educate Russian students in new scientific areas, that we transfer technology and knowledge, while we meet the requirement for local content*." (Country Manager, Alpha).

Bravo's Country Manager (CM), meanwhile, received a request in 2003 from a Russian contractor to export their cable ladders and cable tray systems to an oil rig. At the time, the CM had not thought of Russia as a potential export market. But he seized the opportunity and agreed with the contractor to directly export their products. During this delivery, the CM was contacted by a Russian trade agent who offered to market and sell their products as an intermediary. The CM had already experienced constraints within the market, particularly related to dissonance in the business culture and ambiguity in red tape. The CM recognized several benefits of using an intermediary, such as their assistance and advice on how to conform to the expectations of the market and to increase export activities through the agent. With these benefits, the CM engaged the agent as an intermediary in 2005.

After years of cooperation with the agent, the CM forecast opportunities for increasing their deliveries. He understood that such an ambition required a local presence, so he established a subsidiary in St. Petersburg in 2011: "*After many years, we have learned that a larger market penetration and greater sales are only possible in markets where we have a subsidiary. Such ambitions are not attainable through an agent.*" (Country Manager, Bravo).

Because the relation with the agent had grown strong over the years, the CM and the agent had developed a close trust-based relationship with a mutual understanding of activities and ambitions in the market. As a result, the CM decided to extend their collaboration with the agent by engaging him as a minority owner and General Director (GD) of the subsidiary.

Charlie, the third company, was awarded a large fabrication project in Norway in 2004, but the company was put under pressure to deliver quickly and at low-cost. Its Chief Executive Officer (CEO) had been monitoring the Russian market for years and forecast large opportunities for deliveries to the growing offshore market. The CEO convinced others in the

top management of the company to immediately establish a subsidiary in Archangelsk, arguing that the company could ensure low-cost production at its own facilities, and to position itself toward future offshore projects.

Because of time pressure, the entry process needed to be quick and without complications. But the CEO feared that red tape and bureaucracy could slow down establishment. They therefore decided to acquire an already well-established Russian company: "*We did not have time to establish a subsidiary from scratch. The bureaucracy of paperwork, signatures, and stamps for establishing a firm takes time, moving from local to central authority, back and forth.*" (CEO, Charlie). After pressure from the local government regarding what company to buy, an acquisition occurred in 2005, with the Russian company as minority owner.

Nonetheless, the CEO encountered great challenges in the partnership, particularly related to dissonance in business culture, the way of conducting business, and various challenges in aligning goals and ambitions: "*The Russians were more interested in earning quick money… Our partner expected more financial return than we regarded as realistic.*" (CEO, Charlie). Because of these challenges, the local minority owner withdrew a year later, so that the company became sole owner of the subsidiary. The CEO also found it necessary to establish links to consultancies to get help in interpreting and complying with laws and regulations as well as business norms and culture. Two Norwegian consultancy companies were initially hired to assist the company. Later, on a more permanent basis, the CEO hired local consultancies—one Russian lawyer working at the local port authority and one Russian advisor working at the local municipality.

Delta, the fourth company, entered the Russian market in the mid-1990s by establishing a representative office in Moscow. To gain easy access there and to quickly establish a strong market position, the company acquired several well-established companies operating in that same market and also entered several joint ventures. Among others, the company bought an English engineering company in 1995, and a year later it bought another larger English conglomerate in Moscow. It then entered a joint venture with a Russian company with large production facilities in Archangelsk.

In 1997, the Asian crisis influenced a dramatic downturn in the oil and gas sector because of a fall in the oil price. Delta experienced financial pressure as a result and had to reorganize its headquarters in Norway; it also had to exit several subsidiaries and ventures in international markets. The company sold all acquired companies in Russia and withdrew from all joint ventures except for its venture in Archangelsk. When the economy recovered in 2004, they again entered a joint venture with a Russian company in Astrakhan only to withdraw from it a year later because of challenges in aligning the partner's business culture, way of conducting

business, and goals.

The General Director (GD) was involved with entering and withdrawing from all acquisitions and joint ventures from the middle of the 1990s, and stresses that because of those activities, the representative office held an important function as an interface between all partnerships and projects in the market: "*The office operates as an interface for all our activities, in business development and legal concerns and in licenses—everything related to our business in Russia*." (General Director, Delta). Furthermore, with little effort from the GD, the company met requirements of 60% local content through the manpower and facilities held by the buy-ups and ventures.

4.2. Relational dimension

Delta built multiple relations through its buy-ups and ventures, with the main goal for short-term economic benefits driven from its relations. The relations established in the market were mainly initiated to gain easy access to companies with established market advantages and attractive projects: "*When we identify projects with opportunities, we have bought and entered partnerships to win the projects*." (General Director, Delta). Such pragmatic, established sparse relations were also preferred for their flexibility, allowing the company to rapidly enter and withdraw from ventures and projects in its search for other more profitable relations. This flexibility became important for the company during the financial crunch in 1997, when it withdrew from several relations to avoid profit losses.

The General Director (GD) also emphasized the advantages of such relations for overcoming non-transparent tender processes and project awards, as he found that foreigners are disregarded and downgraded in such formalities. Through the relations, the GD could gain easier access to projects, because the relations already established position in tender and award processes. Market position has been a crucial factor for the GD when making evaluations regarding which companies to buy and enter into ventures with.

The personal engagement of the GD has played a key role in driving internationalization processes forward. He ensured that the necessary foundation existed at the representative office for finding and entering prospective buy-ups and ventures. The GD stressed the importance of individual engagement and recognition of opportunities during internationalization in challenging markets:

> *"You need, and this goes for all countries which can be regarded as quite challenging, that there is someone who recognizes opportunities, and is willing, and personally engaged in travelling and living in the country to establish the necessary foundation for further activities in the market. You need people who are willing to take these challenges, and this drives processes forward." (General Director, Delta)*

The GD attempted to include and give responsibility to other employees in strategic decision-making and the process of buy-ups and ventures. He expected that native Russians' extensive experience in the oil and gas market and their competence in business could be resources in good decision-making and compliance with business norms and culture. But the CEO found that employees were not able to act autonomously. He explained the gap in expectations as being due to the employees' embeddedness in a hierarchical management style with little autonomy in Russia:

> *"This is something we have worked active with, to convince the employees to work independent and make business decisions. However, it has been a long and slow process convincing them to work autonomous… Russian employees are very afraid of doing something wrong. Consequently, it becomes much safer for them to do nothing at all, than doing something wrong… As this may result in punishment." (General Director, Delta)*

Relations established by Charlie were also pragmatic. The initial acquisition of the local company was undertaken to take advantage of the company's facilities and to overcome red tape. The CEO also stressed that they hoped for transfer of market knowledge from their relation to learn about and adapt to business norms and culture. However, there was little transfer of knowledge between the relations, and the relation lasted only a year because of disagreements. The relations established with consultancies in both Norway and Russia were mainly intended to provide information and advice on difficult processes and situations—e.g., ensuring compliance with laws and regulations in situations such as when the local authorities made unannounced inspections of their facilities during the early phase of establishment, or when applications sent to local authorities for authorizations and licenses were given low priority and often got no response. Feeling clueless as to why these situations arose and how to respond to them, the CEO often consulted with their advisors at the local municipality. Similar experiences were met at the local harbor. When a shipment of goods arrived there, the local customs would often place the goods in custody, saying that the packing list was incomplete. In such instances, the CEO consulted with their advisor at the port authority, who could always solve the problems and "misunderstandings".

> *"We frequently experienced that small faults in the building construction were registered as errors, and that the errors were fined and expected to be improved within an unrealistically short timeframe, or else there would be a new fine. We did not know how to handle such situations, and therefore needed good help from our advisor at the municipality." (Chief Officer Executive, Charlie)*

Charlie's internationalization to the Russian market was initiated and driven by the CEO. He also had a colleague who assisted and was heavily involved in the process. When the subsidiary

was established, that colleague was hired as the General Director (GD). The main reporting of activities at the subsidiary back to headquarters was limited to flow between the CEO and GD. Daily phone calls and weekly Skype calls allowed them to consult with and update each other on what was happening at the subsidiary and in the market. In the initial phase of operations, the two managers tried to include other middle managers from the subsidiary, all of whom were native Russians. The intention was to enrich the discussions by getting a Russian-minded perspective on issues. But this involvement did not work as intended, mainly due to the poor English language skills of the middle managers, so they were excluded from the daily and weekly discussions with headquarters:

> *"The other employees participated in Skype-meetings in the beginning, but this became rather a problem. They did not understand, or they misinterpreted what was discussed. They also gradually became rather passive in the meetings because of their less-developed English competence." (General Director, Charlie)*

Bravo was gradually strengthening the relationships it had developed in the market. In the initial stage of internationalization when products were exported through their local agent, its main objective with the relation was to benefit from economic advantage. However, the Country Manager (CM) invested resources and time to build strong relations with their agent. Weekly phone calls and personal meetings were arranged both in Russia and in Norway. Gradually the CM and the agent developed a personal relationship, not simply a working one. So when the CM initiated a process for establishing the subsidiary, the agent was engaged as a minority owner and General Director (GD). The reciprocity and trust that had developed between them over the previous five years made this a natural decision. The nine employees at the agent's office were also hired as administrative personnel at the subsidiary. The CM emphasized the benefits of engaging their agent and his employees because of their local knowledge about the oil and gas market and about appropriate compliance to business norms and culture:

> *"Clearly there is an advantage to having a partner who speaks the language and knows the market… They have a completely different culture, a different language… So, without people from the inside, I am sorry, then one does not even have to try! Because there are so many barriers to cope with!" (Country Manager, Bravo)*

Communication between the Norwegian headquarters and the Russian subsidiary mainly flowed between the CM and GD. They conducted daily phone calls and Skype meetings to share formal information and report about operations, the market, and possible projects, and to exchange informal conversations about life, family, and personal interests: *"We conduct a lot*

of Skype meetings, meetings with the board, and have close follow-up…We talk together almost every day, and often several times a day." (Country Manager, Bravo). The CM regarded the informality of the dialogue as important for developing a close, friendly, and personal relationship. The CM stressed that, although the GM held decision-making authority and was held responsible for the subsidiary results, it was important that the CM was involved to ensure that decisions and results conformed to headquarters' goals and expectations. The relationship that developed between the CM and the GD became important for the internationalization process. Their engagement, cooperation, and commitment were driving internationalization forward.

The manager at Alpha was also gradually strengthening the relations developed in the market. When the Country Manager (CM) increased their representation there, he worked hard to create relations with key representatives of their main potential client in the market: *"We managed this through faithful work, and by knocking on doors. We have never given up; we have come up with new initiatives, presented reports, and held lectures about our competence and technology."* (Country Manager, Alpha). When the company entered an alliance with their potential client, the CM emphasized creating close, trust-based relations by spending time and resources on building relationships. The CM was in the forefront of driving internationalization forward, by initiating, coordinating, and maintaining relationships with their client. He stresses that such personal engagement becomes particularly important when moving into a challenging and different market: *"It became important to find key personnel within our company that could take some ownership of the internationalization process. Enthusiasts who could drive processes forward. Someone that could see opportunities in a dynamic and unexpected market."* (Country Manager, Alpha).

When the subsidiary was established, a native Russian was hired as the General Director (GD). The GD had already worked at the company's headquarters in Norway for several years in sales and marketing. By hiring someone who already had close relations with the company, they could ensure that goals and ambitions were aligned with those of headquarters. Communication between headquarters and the subsidiary mainly flowed between the CM and the GD. Phone calls were made several days a week, and the GD travelled to Russia each month to meet with the CM. Formally, the GD held decision-making authority and was responsible for the subsidiary performance and results, but the CM was most often involved in decision-making: *"The GD has great respect for us that have been working in the sector for years; he does not go out and handle things by himself; he always seeks support."* (Country Manager, Alpha).

4.3. Cognitive dimension

The Chief Executive Officer (CEO) at Charlie decided to acquire a local company mainly to help deal with the expected red tape and bureaucracy, with slow processes and complex requirements in formalities and procedures: *"We did not have time to establish a subsidiary from scratch. The bureaucracy of paperwork, signatures, and stamps for establishing a firm takes time, moving from local to central authority, back and forth."* (General Director, Charlie). The consultancies were also hired to assist in interpreting and responding to the bureaucracy and to ensure conformity to business norms and cultures. Nonetheless, the CEO and the GD perceived Russian business norms, culture, and red tape to be too demanding and difficult to respond to, so that they rather avoided conforming to red tape. The managers aspired to conduct business as they were accustomed to in Norway. The following story about applying for a permit to build a new production facility exemplifies how they interpreted and responded to the bureaucracy and business norms:

> *"...applications have gone shuttling between federal and country authorities and city administration. If you look at the correspondence, one advisor says no, you must apply there! Then the next advisor says no, you must apply there! Then you must apply to another one! The application ends up in a closed drawer without any feedback." (General Director, Charlie). "To put it this way, we do not have a building permit yet, and it has been five to six years since we started the application process for a production hall. However, the building has been raised without any approval! In the process of getting the application approved, we have produced several projects in the hall, which in reality should be closed and sealed because of no building permit." (Chief Executive Officer, Charlie)*

The managers were also frustrated by the detail-oriented procedures that were enforced by the prevailing accounting norms. So they simply sidestepped those norms, as they found them entirely too frustrating and time-wasting:

> *"Our accountant demands that we hold strict control over small accessories used in production. Forms need to be filled out by employees when picking up silly things such as pens and earplugs, which need to be signed and stamped by managers. For us this is totally a waste of time and too rigid formalities, so we instead unassigned the accountant responsibility for accessories in production to escape these ridiculous formalities." (General Director, Charlie)*

The CEO's perception of dissonance in business norms and culture is one of the arguments for their hiring a native Norwegian General Director at the subsidiary. With a native Norwegian, they can ensure that headquarters' corporate culture develops at the subsidiary, thereby avoiding the Russian hierarchical management style: *"With a Russian Director we would get the old school, a very macho and dictatorial Director. We did not want this in our subsidiary, so*

without hesitation we hired a native Norwegian General Director." (Chief Executive Officer, Charlie).

The GD of Delta also perceived ambiguity in interpreting procedures and requirements when applying for licenses and certifications. The GD tended to compare requirements in Russia with what is customary in Norway and felt that it was impossible to benefit from experience from Norway because of the differences between business cultures and norms. This ambiguity, which was costly in both time and resources, was considered the greatest constraint on operating in Russia. Nonetheless, the GD understood that he had to comply with requirements and expectations in the market to obtain and maintain the license to operate. The GD's interpretation and response to these ambiguities are exemplified by the following story:

> *"For instance, companies need to work out a document of 40,000 pages just to get approval for participating at an oil and gas field. We need to act in accordance with 107 different entities, while in Norway we only relate to one, the Norwegian Petroleum Directorate; you need just one approval. In Russia, you need ten various certifications, while in Norway you require one certification for similar activities...You should not underestimate how bureaucratic it actually is. However, one needs to comply to maintain the license to operate in the market." (General Director, Delta)*

Regarding dissonance in business norms and culture, the GD stressed that this was the main challenge for many of their joint ventures. The GD experienced that partners had different understandings about appropriate behavior and decisions. To avoid dissonance, the GD attempted to ensure that the ventures were managed and organized within the context of Norwegian business norms and culture. The GD says that a venture with a Russian partner always needs to lay the foundations of management and organization before the partnership is entered:

> *"This is an example of bad business alignment with a Russian partner, which resulted in a conflict. We have learned that a joint venture with a Russian partner ought to be very good. Every aspect of operation and how things ought to be done should be decided in advance. Selection of the right partners is critical for creating a long-term partnership and survival!" (General Director, Delta)*

The Country Managers at Alpha and Bravo recognized similar ambiguities in bureaucracy, business norms, and culture, but put less stress on these features of the market compared to the GD of Delta. The CMs were more open to the differences that existed and tried to avoid drawing comparisons with the Norwegian market. The CMs were also attempting to adjust their behavior and decisions to the expectations of the market. The CM of Bravo said, philosophically: "*...this is how it is, we need to act in accord to this...We do in a way depend on this system when entering this market, and are the one who needs to 'pipe down'; yes, that is*

us!" (Country Manager, Bravo).

The two CMs were also more reflective in attempting to understand why these features of the market existed. Both referred to Russian history in their attempt to obtain greater insight into today's market situation. For instance, the CM of Bravo explained the rigidity of documentation and information required by the bureaucracy as a product of Soviet times: "*In these times few citizens trusted the Russian government, and vice versa*." He believes that the government has developed a system whereby it can control the behavior of its citizens to ensure that nothing untoward is happening. By using extensive documentation, stamps, and signatures for every activity, people can prove that they are loyal citizens. It is not my intention to judge whether the views of the CMs are correct. However, they show the CMs' effort to develop a greater understanding of why this rigidity occurs in the market. Both CMs have strategically decided to hire a native Russian as General Director for the subsidiary to have someone who is embedded in and understands the market, the bureaucracy culture, and norms that can ensure compliance. The CM from Alpha also emphasized the importance of a native GD to gain access to clients, governmental bodies, and authorities to which foreigner's access is limited:

> *"I think for us it is much easier to gain admittance and access to many of the companies that we which to cooperate with. For instance, if we have a meeting in the Duma [an often-used term for the legislative assembly in Russia] then we [Norwegians] would not be admitted, but he [the Russian GD] is. This is due to security reasons in which we [Norwegians]are not admitted, but Russians are." (Country Manager, Alpha)*

Nonetheless, the CMs from Alpha and Bravo experienced dissonance in creating a consensus on how to conduct business because of the different embedded business cultures. To ensure that the goals and values of headquarters are implemented in the subsidiary's business culture, the CMs had daily and weekly communication with the General Directors and arranged training programs for their native Russian employees. At both companies, employees participated in training programs at the Norwegian headquarters to help them learn about the Norwegian business culture and the company's norms and regulation:

> *"We follow our subsidiaries closely, the employees are often here, management of headquarters are often there, to sort of guide and teach the employees, and to incorporate them into our culture. Employees from the Russian office are in Norway many times a year. Sometimes they are here for teaching and other times they come with customers."* (Country Manager, Bravo)

5. Discussions

The narratives in the previous section have captured how managers perceived, interpreted, and responded to knowledge of foreign-market institutions, and in what form the three

dimensions of social capital have been a source of learning. In the following sections, I offer a second-order analysis to develop an overall understanding and coherence about managerial learning from social capital when challenged by host-market institutions.

5.1. Various levels of learning

From the narratives, it becomes evident that managers of the case companies hold pretty similar perceptions about the challenges arising from foreign-market institutions. A recurring theme from all the respondents in the study is the perception of constraints during internationalization due to ambiguity from red tape in the bureaucracy and dissonance in the business culture. However, the managers demonstrated different approaches in how they interpret and respond to institutions, perhaps best explained by the idea that managers learn at various levels (Daft & Weick 1984; Fiol 1994; Hedberg 1981; Huber 1991). To answer the first research question posed in the introduction, I contend that managers hold similar perceptions about foreign-market institutions, but they interpret and respond to those institutions from various levels of learning, resulting in different enactment on institutions of the foreign market. The first-order analysis reveals that the managerial learning process by managers of Alpha and Bravo occurs at a higher level of learning, while the learning process by managers of Charlie and Delta occurs at a lower level.

From the stories told, it becomes evident that managers of Charlie and Delta appear to be stubborn men with little appetite for integrating knowledge about red tape and business culture into their existing beliefs about appropriate patterns of internationalization and strategic decisions. These managers express frustration with the differences they encounter in institutions of the foreign market compared to their home market and other international markets they have invested in. They often refer to the foreign-market institutions as too difficult, demanding, and complex to understand and confirm to. Both managers interpret experiences with institutions from their own strong beliefs, born from conditions of their home market. They seem to believe that the home-market institutions are based on an ideal logic.

Such an approach to learning became evident when Charlie’s manager decided to build a production facility without a permit. He need not comply with accounting norms, he decided, because he found them too rigid and unnecessary. Meanwhile, Delta’s manager decided to enforce Norwegian business culture in its acquisitions, but at the same time withdraw from a joint venture because of challenges in merging two different business cultures.

These managers made changes in behavior only when they felt it absolutely necessary for meeting requirements and maintaining their legitimacy to operate in the foreign market. Such

behavior is reflected in situations when the manager from Charlie acquired a local company merely to avoid slow procedures and complications during establishment in the foreign market. In addition, when in those situations Delta's manager acquired and entered joint ventures to ensure access to lucrative projects and to easily meet the requirement of 60% local content. Both managers tend to strive for "business as usual" by managing the subsidiaries from established home-market ideas about appropriate patterns of internationalization and strategic decision-making during internationalization.

In contrast, the narratives disclose that Alpha's and Bravo's managers seem willing to integrate foreign-market institutions into existing beliefs and to change patterns of internationalization and adjust strategic decisions to ensure fit and consistency with institutions of the foreign market. Though these managers, too, expressed frustration about the constraints from red tape and business culture, they try to view these constraints from the perspective of the foreign market. For example, Bravo's manager said that "[we] are the ones that have to pipe-down," while Alpha's manager said that they had shattered many of the myths about risky and incomprehensible laws and requirements. These managers clearly brought a more accepting understanding of institutions of the foreign market.

They have also constantly made changes in their patterns of internationalization and strategic decisions to conform to foreign-market institutions. This became apparent in the narrative, for instance when the manager at Alpha entered a strategic alliance because he understood that it was important for their partners to legitimize their cooperation, or when he established the engineering center and the post-graduate program to meet the requirement for 60% local content, or when Bravo's manager hired the agent to get assistance in deliveries to the market, and, later, when he hired the agent as minority owner and General Director when the subsidiary was established.

These recapitulations of the managerial learning process in the four case companies show that managers learning at a higher level interpret and respond to perceptions of foreign-market institutions using a flexible non-routine-based approach by changing their behavior in the foreign market to ensure institutional conformity. Further, that managers learning at a lower level interpret and respond to institutions from a fixed routine-based approach by making minor adjustments in behavior only when absolutely necessary and therefore maintain institutional dissonance. Table 4 summarizes these differences in the managerial learning process seen in the case companies. The table shows how the case companies, while holding similar perceptions about foreign-market institutions, interpret and respond to institutions in diverse ways, with different overall aims for enactment. The table refers to concrete experiences the managers

have mentioned during the interviews to show how they interpreted and responded to concrete situations in the market.

	Alpha	Bravo	Charlie	Delta
Perception	For the first delivery to Russia, we produced in the home market as our new engineering center could not complete such a large order. We knew there would be challenges at customs that could delay the shipment. Delays at customs may be due to incomplete paperwork or because the products are unfamiliar to customs officers.	We do not accept anything called shortcuts. Making arrangements "under the table" would have been easy in Russia, but that is totally unacceptable.	The many struggles with both internal and external requirements slow down operations. External requirements were rigid and detail-oriented in ways that are not necessary.	Language is a central barrier and the bureaucracy is a huge challenge. One should not underestimate how bureaucratic it actually is.
Interpretation	We therefore made our Russian customer responsible for the shipment. We used Russian companies to pick up the delivery at our facilities in Norway. This was to ensure that we could get the delivery painlessly over the border.	The native Russian GD does not always think like a Westerner; hence we must work to find solutions. Sometimes I just give in because I do think like a Westerner. If it had been Norwegians working in Russia, even if they all spoke Russian, they would still be Norwegian and would not have the Russian way of thinking. I think that is important in this game.	Our accountant demands that we hold strict control over small items. Forms must be filled in by employees when picking up things like pens and earplugs These then must be signed and stamped by managers.	In Norway, you relate to EU rules. In Russia, you need ten different certificates to start an operation, while in Norway you only need one. Within engineering you need licenses to show that you have the skills, capacity, and safety procedures. It would cost around 0.75 to 1 million to obtain certification. One oil company wrote 40,000 pages seeking approval for a petroleum project.
Response	We had an incredible experience. We sent the largest components by boat across Arctic waters with an icebreaker leading. This had only been done previously with raw materials. We placed tons of equipment on the largest Russian transportation flight. We also sent some of the components by ship. We did everything!	We have a staff of 9 people in St. Petersburg. They are all native Russians. That is a conscious, strategic choice. It is locals who best know market conditions.	For us this was a complete waste of time, so we removed the responsibility for accessories that was held by the accountant.	We have the competence here at the office to handle such challenges. And if they are not able to handle it, we go to external consultants. We have done it the right way, but is has cost us money.
Aim	We were conscious of the problems that can occur at the border. In general, everything that is planned and executed within the local norms goes well.	Things that you take for granted, our local employees might say that it would never work here. To speak the language and understand the local knowledge creates greater competitive benefits.	We did this so that we could escape the silly formalities.	In Norway, we have norm-based rules; in Russia it is different. This is a society where many seek errors. If you find an error you can either look beyond it or demand a penalty, which means money. This is how you develop a society where the stamp needs to be round and blue, placed 1/3 below the signature.

Table 4: The managerial learning process in the case companies

The findings I share in this study correspond to extant research literature that also shows how learning can occur at various levels, and how this directs different enactment on knowledge about the foreign market (Dimitratos et al. 2014; Engelhard & Nägele 2003; Hau & Evangelista 2007; Mu, Gnyawali & Hatfield 2007; Saka-Helmhout 2007). Previous studies have explained variations in learning based on empirical evidence about how foreign subsidiaries act on knowledge that flows between headquarters in the home market and their foreign subsidiaries (Saka-Helmhout 2007), and on empirical evidence about how embedded the foreign subsidiary is, either to headquarters in the home market or to the foreign market (Dimitratos et al. 2014; Mu, Gnyawali & Hatfield (2007). In this study, I explain the various levels of learning based on how managers of subsidiaries interpret and respond to unfamiliar institutions in the foreign market. This provides new insight into the various levels of learning from a managerial perspective, and managers' enactment on knowledge about institutions of the foreign market.

Managers' enactment on knowledge about foreign-market institutions can further be explained by managers' learning intent. In line with previous studies on that topic (Engelhard & Nägele 2003; Hamel 1991; Minbaeva et al. 2002; Tsang 1999), I show here how managers with a greater openness to learning are better equipped to interpret foreign-market institutions and to respond to them by adjusting patterns of internationalization and strategic decisions to ensure fit and conformity to foreign-market institutions (Hamel 1991; Hau & Evangelista 2007; Minbaeva et al. 2002; Tsang 1999).

The managerial perspective I have provided in this paper also reveals that internationalization by the case companies has been driven by the managers' personal engagement and entrepreneurial orientation. These managers' determination and courage have ensured access and survival in the foreign market, independent of whether the manager demonstrated learning at a higher or lower level. These managers are also the ones that have invested in connections, relations, and cognitions and made use of the knowledge they have gained from their social capital, also independent on what forms of the three dimensions they have invested.

5.2. Learning from social capital

The narratives further reveal that managers of the case companies have invested in different forms of the three dimensions of social capital and that the various forms have affected their degree of learning from social capital. To answer the second research question, I argue that managers who have formed embedded relationships with a few key business connections in the

foreign market, and that share a cognitive frame of reference with their relations, have better premises to interpret and respond to foreign-market institutions. This argument implies that all three dimensions of social capital are important for enhancing managerial learning during internationalization. From the narratives, I further argue that the managers' learning intent has influenced the way they exploit the knowledge that is made available through their social capital. Managers with a great receptivity to learning make more effort in acquiring and utilizing knowledge that is made available from their social capital.

From the stories told by the respondents participating in this study, it becomes evident that Alpha's and Bravo's managers have formed embedded relations with a few bonded connections that share a cognitive frame of reference. These mangers have taken advantage of the knowledge they have gained from their social capital by adjusting their patterns of internationalization and strategic decisions to the foreign-market institutions, and as such demonstrate that their managerial learning process has been enhanced by their investment in social capital. The managers of Charlie and Bravo, meanwhile, have formed arms-length relations with bridges and linkages in the market with an absence of shared cognition. Although these managers show that they have gained knowledge about foreign-market institutions from those arms-length bridges and linkages, they have not been willing to act on the knowledge gained, and therefore demonstrate that their investment in social capital has not enhanced their managerial learning process, when taking into assumption that learning occurs when managers make changes in patterns of internationalization and strategic decisions to confirm to foreign-market institutions.

When recapitulating the internationalization process by the manager of Alpha, it becomes evident that he put significant effort into developing bonded connections with their main client in the foreign market during the establishment phase. As expressed by the respondent himself, they were "knocking on doors and never giving up." The interaction with their client gradually increased over the years, with the result that they developed similar expectations and aims. When Alpha and their main client entered a strategic alliance, their relations grew into mutual dependency and trust with expectations of reciprocity. It becomes clear from the stories told by the manager that their relationship was grounded on altruistic motives with the expectation of long-lasting relations. The manager demonstrates a commitment to creating a deeper understanding of the foreign-market institutions in order to build cognitive congruence with their relations in the market. The internationalization process clearly moved forward based on the knowledge about foreign-market institutions that has been conveyed by their relations in the foreign market.

The manager of Bravo also emphasized building embedded relations with their bonded connection in the foreign market. The relationship started with an agent in the market. Over time it developed into a close cooperation based on trust and reciprocity with common aims. When the manager decided to establish a subsidiary, he built on the trust-based relationship with the agent by engaging him as a minority owner and General Director. From the stories told, it seems that the manager focused on learning about foreign-market institutions from his relations and sought to ensure cognitive coherence to both understand and apply knowledge about institutions during internationalization.

In contrast, Charlie's manager established linkages to advisors at the local municipality and the port authority as well as to two lawyers to get assistance during internationalization. But interaction with those relations was sporadic and limited to situations when the manager needed help in critical situations. This was characterized as arms-length relations. Because the manager relied on knowledge held by his connections, he made little effort to understand foreign-market institutions, so a cognitive dissonance resulted. Such reliance on others' knowledge in the market is referred to by previous studies as "grafting." This distorts learning as managers act and make decisions based on the suggestions by others (Lindstrand, Melèn, & Nordman 2011).

Delta's manager shows a similar approach to learning from social capital. He created multiple, sporadic bridges in the market through acquisitions and joint ventures. Arms-length relations were developed with a short duration, as the relations were ended when they became less profitable. It seems that the manager made little effort to understand foreign-market institutions, as he was frustrated and had little intention of conforming to the institutions of the market. He therefore maintained a dissonance to foreign-market institutions.

With these findings, my study reinforces the extant research literature by demonstrating that managers who build embedded relationships in the foreign market with a shared cognitive frame of reference enhance managerial learning (Lindstrand, Melen, & Nordman 2011). This finding is consistent with the cluster of studies that have investigated how learning occurs from the structural and relational dimension of social capital (Collins & Hitt 2006; Dhanaraj, Lyles & Steensma 2004; Griffith, Zeybek & O´Brien 2001; Hau & Evangelista 2007; Liu, Ghauri & Sinkovics 2010; Moran 2005). In this study, I show that managers who build embedded relationships based on mutual trust and dependency with principles of reciprocity are better equipped to interpret and respond to knowledge about foreign-market institutions, because these forms of social capital enhance managerial learning.

The findings of my study are also consistent with the cluster of studies that have investigated learning from the relational and cognitive dimension of social capital (Coeurderoy et al. 2012;

Cohen & Levinthal 1990; Eriksson & Chetty 2003; Lane, Salk & Lyles 2001). The findings of this study demonstrate that embedded relationships enhance managers' absorptive capacity, that is shown to foster managerial learning. From this, it seems that those managers who ensure cognitive resonance seem to enhance learning, while those managers maintaining cognitive dissonance distort learning during internationalization.

Nonetheless, the findings of my study also support the previous findings by Presutti, Boari, and Fratocchi (2007) and Yli-Renko, Autio, and Sapiensa (2001), showing that multiple weak connections in the foreign market enhance knowledge acquisition. However, in my study, I demonstrate that weak connections are not sufficient when managers intend to learn about foreign-market institutions to ensure institutional conformity, and here I support the findings by Lindstrand, Melèn, and Nordman (2011).

Table 5 summarizes the effect of managerial learning and social capital on institutional distance. The table shows the managers level of learning and in what form they have invested in social capital, and how this affects their enactment on foreign-market institutions. The table shows that managers with a genuine willingness to learn and who aim to integrate knowledge about foreign-market institutions into their patterns of internationalization and strategic decision-making learn from embedded relations with bonded connections and cognitive resonance. This approach to managerial learning from social capital seems to enhance the managerial learning process and managers are therefore able to ensure institutional conformity.

On the other hand, managers who are stubborn and unwilling to learn about foreign-market institutions, and who aim to maintain operations as usual, are not learning from their bonds and linkages with an arms-length relations and cognitive dissonance. This approach to learning from social capital distorts the managerial learning process and managers therefore maintain institutional conflict.

<table>
<tr><td colspan="4">Lower-level learning</td><td colspan="4">Higher-level learning</td></tr>
<tr><td rowspan="2">Cognitive dissonance</td><td rowspan="2">Arms-length relationships</td><td>Linking</td><td>Charlie</td><td>Alpha</td><td rowspan="2">Bonding</td><td rowspan="2">Embedded relationships</td><td rowspan="2">Cognitive resonance</td></tr>
<tr><td>Bridging</td><td>Delta</td><td>Bravo</td></tr>
<tr><td colspan="4">Institutional conflict</td><td colspan="4">Institutional conformity</td></tr>
</table>

Table 5: The effect of managerial learning and social capital on institutional distance

The importance of embedded relationships and shared cognition in enhancing managerial learning can be explained by the context in which I have studied this phenomenon. By using case companies from Norway that internationalize to the Russia market, this study highlights managers who are exposed to a market where trade and business are grounded on strong relations between network connections. The structural dimension of social capital is only

relevant in the Russian market to the extent that managers gain access to that market. It is fundamentally difficult for a foreign manager to gain a position in a market where business is conducted in close networks of family and friends, as in Russia (Frye, Yakovlev & Yasin 2009; Michailova & Husted 2003; Peng & Heath 1996). Such closed networks where trade often occurs between personal relations that are located outside formal structures (May & Stewart 2014) can further explain why embedded relationships with mutual trust and dependency, and with principles of reciprocity (Michailova & Worm 2003), are seen to enhance learning. The findings of this study align with previous research that has shown that close bonds (Sandberg 2013; Shi et al. 2014) and embedded relationships (Collins & Hitt 2006; Dhanaraj, Lyles & Steensma 2004; Griffith, Zeybek, & O´Brien, 2001; Hau & Evangelista 2007; Nahapiet & Ghoshal 1998; Moran 2005) are of particular importance when learning from social capital in markets that are based on strong network relations.

6. Conclusion

This paper reports on a multiple case study investigating how the managerial learning process in four Norwegian companies has unfolded when internationalizing to the Russian market, challenged by foreign-market institutions, and how these managers' investment in social capital has fostered managerial learning. From the findings of this study, I make three main contributions to the research literature focusing on managerial learning from social capital.

First, I contribute fresh insight into how managers enact on foreign-market institutions by adjusting their patterns of internationalization and strategic decision-making during internationalization. The findings show that while managers hold similar perceptions about constraints from institutions in the foreign market, they interpret and respond to institutions from various level of learning, demonstrating different enactment on institutions. The empirical analysis shows that those managers eager to learn and eager to make sense of foreign-market institutions learn at a higher level and enact on institutions to ensure institutional conformity. In contrast, managers who are stubborn and close-minded, and who are unwilling to make sense of institutions, learn at a lower level, and enact on institutions in a such way that they maintain institutional conflict to the foreign market.

Second, I reconcile an understanding about social capital as consisting of the structural, relational, and cognitive dimensions by resolving the inconsistency in conceptualization of social capital by extant research literature. The findings demonstrate that all three dimensions of social capital play a vital role in enhancing managerial learning during internationalization,

but that the various forms of the dimensions, affects the managerial learning process. Building on this finding, the third contribution of this study increases an understanding about how the three dimensions ought to be formed to enhance managerial learning. I found that those managers who share a cognitive frame of reference with embedded relationships that are created with few bonds in the foreign market, have better premises to interpret and respond to foreign-market institutions. These constellations of the three dimensions of social capital are shown to enhance managerial learning during internationalization. Those managers who build bridges and linkages with arms-length relations and who maintain an absence of shared cognition are less equipped to interpret and respond to institutions, and therefore distort managerial learning.

But this study also has some limitations. I have not taken into consideration managers' prior experiences with internationalization. It may be that managers with international experience are better equipped to deal with ambiguities and dissonance stemming from foreign-market institutions. Nevertheless, as some of the respondents emphasized, it is difficult to transfer knowledge from the home market to the foreign market because of their different institutional logics. This implies that previous experience can be of little relevance because of the peculiarities of the foreign market (Meyer & Gelbuda 2006). Further, I did not consider that the case companies entered the foreign market at various times. It may be that those managers entering the foreign market in an early time are better at handling ambiguities and dissonance.

The scope of this study was limited to including four companies as illustrative examples. However, a larger sample of case companies could provide greater insight as it would represent a larger group of subjective interpretations to this phenomenon, making an even larger sample for investigating similarities and differences in their approach to learning from social capital. Finally, since internationalization to an institutionally distant market implies that managers are challenging their conventional wisdom about appropriate behavior and decisions, investment in the cognitive dimension of social capital is fundamentally difficult. A new direction to the cognitive dimension of social capital could be to incorporate absorptive capacity into this construct, as it deals with how managers enact on knowledge for commercial ends (Cohen & Levinthal 1990; Shaker, Zahra, & George 2002). Absorptive capacity has already been studied in the field of international business (Collins & Hitt 2006; Lane, Koka, & Pathak 2006; Lane, Salk, & Lyles 2001; Lyles & Salk 2010) and could enrich an understanding of the cognitive dimension of social capital.

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