

**EXTREME CASE LEARNING:
THE MANAGER PERSPECTIVE ON RARE KNOWLEDGE AND CAPABILITIES DEVELOPMENT**

Gabriele Suder (Melbourne Business School- g.suder@mbs.edu), Andreas Birnik (CreoPop), Niklas Nielsen (Mecom Holding W.L.L.), and Monica Riviere (ISC Paris Business School)

ABSTRACT

International strategy is enhanced by organizations' ability to learn in host markets; yet it remains ambiguous how post-entry knowledge gaps between home – and host-country shape MNE's absorptive capacity. This article builds on the specific contributions of 'extreme case' internationalization to advance literature in this field. We foster the understanding of the role of rare knowledge and the mechanisms that link knowledge acquisition to absorptive capacity dynamics used in the internationalization path of multinational enterprises (MNEs). We opt for in-depth qualitative research into the post-entry phase of 'extreme' (thus particularly crude) international joint venture (IJV) investment, and analyze the perspective of managers from a developed economy MNE located in a high-risk, weak institutions host country. The firm's absorptive capacity and its interaction with external environments, that are categorized into four distinct contexts, is found to be contingent upon pro-active experiential learning, concurrent to managerial willingness and simultaneous organizational commitments to learning and to exploiting rare knowledge. We thus uncover managerial perceptions of a knowledge gap identified as host-country challenges and resulting managerial solutions, which reveal rare learning opportunities and knowledge exploitation dynamics. The capacity to compensate for knowledge gaps is a critical key within the design and consolidation of an alternative internationalization path for developed-country MNEs. This challenges the traditional risk-return- commitment dependencies in prior literature.

Key words: internationalization, learning, absorptive capacity, extreme cases, institutional voids, risk.

Introduction

The contemporary extant literature about firm's internationalization processes and strategy emphasizes the essential role of absorptive capacity. It focuses on knowledge development through internalization of foreign markets as prerequisites for market expansion and increased resource commitment (Johanson & Vahlne, 1977; Pedersen et al., 2008). In this view, it is assumed that a learning mechanism dictates the internationalization path and resource allocation. Firms acquire knowledge in and about foreign markets, by progressively expanding abroad, internalize this knowledge, gain a certain level of confidence in their absorptive capacity - "the ability to recognize the value of new information, assimilate it, and apply it to commercial ends" (Cohen & Levinthal, 1990:128), scale the knowledge gap - "the discrepancies between the knowledge possessed and knowledge needed" to operate in a new environment (Pedersen et al., 2008) – and decide on new resource allocation. However, the incremental internationalization process, proposed by Johanson & Vahlne in 1977 has been subject to extensive empirical investigations leading to mixed results and critics (see Johanson & Vahlne, 2009). The model thus revisited in 2009 accommodates for "a more general business network model of firm internationalization" whose success depends on a "reciprocal commitment between the firm and its counterparts" (Johanson & Vahlne, 2009: 1413, 1414). In this view, business relationships make it possible to identify and exploit opportunities and to "have a considerable impact on the particular geographical market a firm will decide to enter, and on which mode to use" (p.1423).

We specifically investigate how the decision to commit resources in a psychically, culturally and institutionally distant environment -as a result of a business relationship opportunity- shapes multinational firm's learning capabilities, develops absorptive capacity and deepens adaptability. We thereby 'swap' the direction in the relationship between variables as following: in organization having committed resources to a very distant environment (here referred as 'extreme'), managers perceive knowledge gaps more accurately, search for solutions and elaborate responses that enhance organizational learning capabilities through adaptability. The classification of a business environment as 'extreme' is based on criteria established in literature relating to instability, information ambiguity, and rapid, discontinuous, violent and simultaneous changes in the environment (Brown & Eisenhardt, 1997; Wirtz et al., 2007). We try to answer the question: *how and why are learning capabilities, reflected by firm's absorptive capacity and its interaction with the external environment, enhanced with the decision to commit resources to 'very distant' business environment?*

We draw on internationalization and knowledge management literature since our case is at the crossroad of the two research interests. Our case study focuses on an international joint venture between a Monaco-based multinational enterprise and a regional organization, in Afghanistan. The Monaco- headquartered multinational launched and manages the venture as part of its internationalization strategy. It follows an "untraditional" path of internationalization compared to paths conceptualized by international business literature, in building capacity through knowledge assimilation rather than knowledge exploitation. Our contribution to international business research and practice is thus based on an 'extreme case' investigation of learning capabilities and their mechanisms that become critical to the success of the venture, and that counteract inertia.

Theoretical background

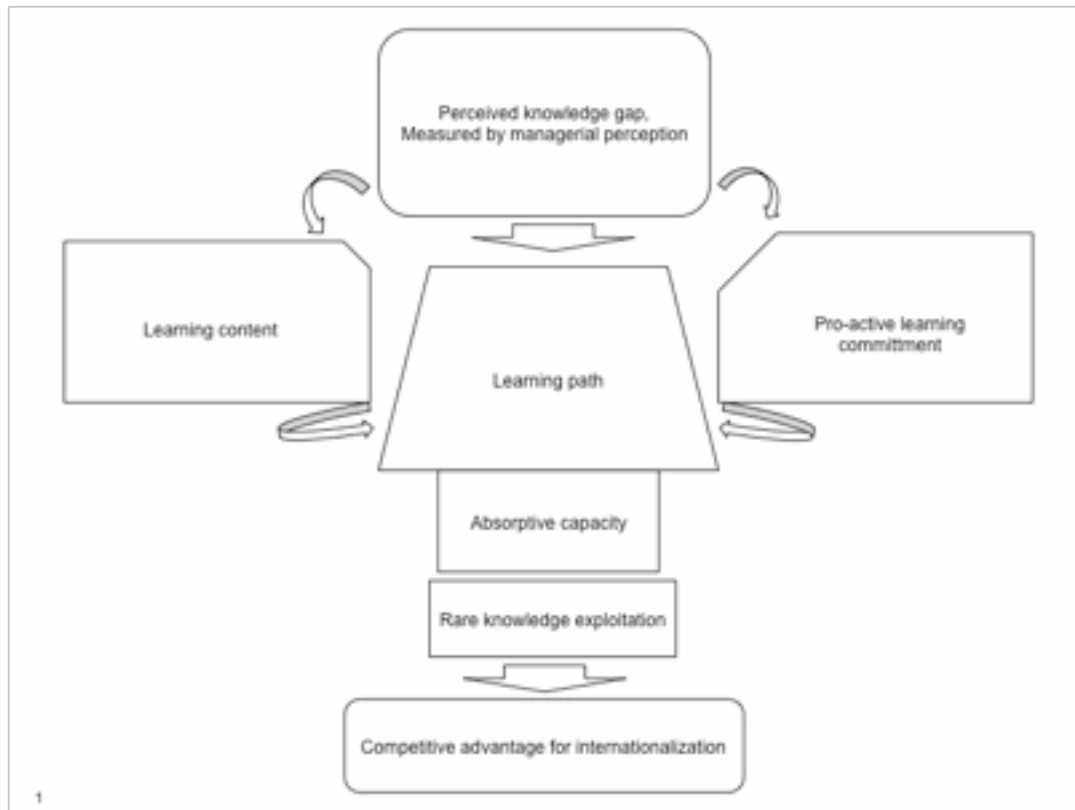
In today's era of advanced business internationalization, few locations remain uncovered and unexplored. There is no shortage of theories and concepts that underpin our understanding of internationalization strategy (Hennart, 2009, Barkema, H. & Drogendijk, R., 2007; Sanchez- Peinado & Pla-Barber, 2006, int.al.), and that analyze critical factors enhancing the transition from knowledge- acquisition to capability- creation and – building and the formulation of internationalization strategy (Brouthers et al., 2008, 2007). Knowledge- based view suggests that firms endeavor to increase knowledge and capabilities that are rare, valuable, not perfectly imitable and that allow to seize and broaden opportunities (Barney & Hesterly, 2010). Internationalization is not merely a way to exploit firm's knowledge in multiple locations, but rather an opportunity to increase knowledge bases and the capability to refine competences and processes that help sustain competitive advantages. Our analysis is embedded in Teece et al.'s (1997) stipulation that “The competitive advantage of firms is seen as resting on distinctive processes (...), shaped by the firm's (...), asset positions (such as the firm's portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited.” We discuss a “non – traditional” internationalization path (referring to Uppsala progressive internationalization as traditional, or even the born-global concept) that shapes a distinct learning process resulting in a set of knowledge and capabilities that are rare, valuable and not perfectly imitable.

We base our study on Pedersen et al.'s (2008) demonstration that firm's absorptive capacity and the internalization of foreign markets- fundamentals of learning capability- are related to perceived knowledge gap, which in turn impact the resource allocation decision. We fill a research gap by expanding Pedersen et al.'s findings in that we fill the theoretical gap in regard to positive returns at the immediate post-entry phase. We find that knowledge potentially increases more than extant literature stipulated, when it is not only as the result of an existing stock of knowledge (Dorfler, 2010) but also, experiential assimilation. This develops a theoretical argument that knowledge development (exploration and exploitation) from environments characterized by vast knowledge gaps can be conceived as a significant key for absorptive capacity gains and that counteract inertia.

Firms increase their knowledge base through experiential learning, internalization (Petersen et al., 2008; Verbeke, 2003; Rugman & Verbeke, 2007; Pitelis, 2007), imitation or ‘grafting’ the experience of others into the firm (Forsgren, 2002; Hubert, 1991). Our focus is on experiential learning that, cf. Forsgren (2002), can be reactive or proactive. Reactive learning occurs when the organization strives to acquire more knowledge about “already identified solutions”; proactive learning refers to the search for new solutions and is thus particularly important in new venture launch. Learning literature shows that with the development of experiential learning, organizations are at risk of overconfidence in their current capabilities and routines and may ignore likely future failures (Petersen, 2008). March (1999) calls this learning myopia. When this happens, firms turn to previously identify solutions in the same domain (Levinthal & March, 1993). Likewise, studies illustrate that organizations better learn from failure rather than success, since failure increases the willingness to search for available solutions, provide a roadmap of searching (Madsen & Desai, 2010), stimulates the search for alternatives and increases the motivation to act (Sitkin, 1992). We thus broaden the understanding of pro-active learning in corporate internationalization when examining an environment in which previous solutions do not exist.

Consequently, we theorize that *internationalization into a 'distant' business environment reduces the risk of learning myopia and stimulate proactive learning*: We model this relationship in Figure 1.

Figure 1: Modeling the dynamics of rare knowledge internationalization strategy



In our model, knowledge benefits of doing business in ‘unusual’ locations to mainstream internationalization can act as a substitute for the knowledge base of the organization since learning capabilities are enhanced by both learning content and pro-active learning commitment that support the learning path through learning willingness, a lower risk of ignorance, an accurate confidence in routines and expectations that these routines can be successfully transferred to new situations.

Our research tests this model and sheds light on post-entry large knowledge gaps, defining the perceived ‘distance’ in terms of knowledge rather than geographic terms, as stimulus to pro-active learning in the construction of rare (sometimes termed: inimitable) knowledge through internationalization. Indeed, learning is, according to Petersen et al. (2008), instrumental to closing gaps between the knowledge that the organization “possesses” and the knowledge that it “needs”, which is triggered and defined “by the recognition process” that delineates the characteristics of the gap (p. 1098).

Furthermore, since the learning mechanism shapes the creation and development of dynamic capabilities (Ambrosini & Bowman, 2009), we investigate how learning and rare knowledge sourcing in relative voids increase absorptive capabilities for the benefit of dynamic capability building. We posit that *pro-active*

organizational learning is contingent upon managerial commitment to learning in “distant” environments, counter-acts inertia and benefits firm’s absorptive capacity (illustrated in Figure 2). We measure knowledge gap and associated managerial strategies through the ethnographic analysis of a study managerial perception.

Case Study Methodology

To address our research question, we adopt an in-depth analysis of one case study that we believe crucial for the examination of our proposition of rare knowledge development and capability dependency, and that is ‘extreme’ by any standard in respect of our ‘high risk’ research proposition. The selection of this MNE was made to be as representative as possible for a foreign developed-market IJV organization operating in an extreme location over a long term (in our case, for close to one decade), hence reasonably considered as having located there successfully. We have chosen to focus this study on the post-entry phase of a European MNE leading a foreign international joint venture in Afghanistan, covering the first five years of activity. This MNE has pursued consecutive internationalization ventures in similar environments.

The case company

The mobile operator Roshan is one of the largest investors in Afghanistan to date with total investments exceeding USD 390.4 million since launch. It was launched as an international joint venture (IJV) in July 2003 as the second GSM operator in the country. The only other operator was state-owned.

Roshan successfully operates in Afghanistan as evidenced by a range of performance measures including financials, customer metrics and international awards for brand and corporate social responsibility. The IJV is composed of the Monaco –based MNE Monaco Telecom Group, as founder in pursue of its internationalization strategy. Roshan is owned 51% by the Aga Khan Fund for Economic Development (AKFED), 36.75% by Monaco Telecom International (MTI), its managing stakeholder, and 12.25% by TeliaSonera AB; with no Afghan stakes. Monaco Telecom International (MTI) is a 100% subsidiary of the Monaco Telecom Group, the incumbent operator for Monaco. Monaco Telecom was created in 1997 out of the Principality’s administrative service, the Office Monegasque des Telecommunications. Currently, forty-nine percent (49%) of Monaco Telecom is owned by UK-based Cable & Wireless, 45% by Société Nationale de Financement -which is wholly owned by the Monegasque government-, and the remaining 6% by Compagnie Monégasque de Banque. MTI today also owns operations in Algeria, Kosovo and Tunisia and in six West African countries (Benin, Senegal, Burkina Faso, Cameroon, Guinea and Niger).

Its move into Afghanistan initiated its internationalization path outside of Europe, and was described by its CEO as a strategic ‘innovation path’ to diversify its strategy by means of ‘locating where no-one else in the industry locates’ (Veran & Suder, 2010-2012), in the explicit aim to expand its knowledge in the quest for rarely imitable advantage in a services and infrastructures sector that is particularly dense and competitive on global scale. With market knowledge initially low, and infrastructures and networks rare, the commitment of this MNE as the IJV’s managing stakeholder was nonetheless (and in opposition of most cases analyzed in literature) ‘immediate and significant and remained so’ (Veran & Suder, 2010-2012). Hence, we cannot examine knowledge stemming from non-experiential learning or existent solutions but rather, pro-active learning. With a resource and

management commitment into an extreme locations, the firm endeavored to obtain positive returns from increased learning capabilities. This is expected because the perception of the knowledge gap is likely not to be distorted thanks to (and not despite of) the lack of previous experiential knowledge. Put it differently, *the likelihood of learning myopia (cf Levinthal & March, 1993; March, 1999) decreases with the distance in the business environment*. While O'Grady & Lane (1996) demonstrate that “operations in psychically close countries are not necessarily easy to manage because assumption of similarity can prevent executives from learning about critical differences”, we assume that operations in ‘very distant’ countries benefits firms absorptive capacity and its interaction with the external business environments because managers and employees pay more attention to the critical differences. The interviews with managers at Roshan confirm this assumption.

Despite operating in a difficult business environment, the company had acquired an astonishing 1.7 million customers, equivalent to a 41% market share, by 2007, and expanded to 3.5 million active subscribers by 2010. The company's network covered more than 40% of the population in over 200 cities in 2008, and over 230 cities and towns in 2009. It had more than 940 employees in 2008 growing to 1,114 in 2009, out of which 20% are women. The latter is of particular importance in Afghanistan give that “Afghanistan's social development can only be ensured through democracy and the reduction of poverty, the success of both being assured through full participation of women, especially in rural Afghanistan”, with women's issues “an integral part of national construction agendas even as far back as the 1920s” yet suppressed for decades and thus particularly prone to learning (Ahmed-Ghosh 2003, p.2).

Roshan is Afghanistan's largest private employer and its largest taxpayer, providing around 6% of all tax collected by the Afghan government and one of the few telecoms companies in Afghanistan. At the time of investigation, only Afghan Wireless was operating in the same, cellular telecommunication sector, a joint venture business between Telephone Systems International in the United States and the Afghan Ministry of Communications.

Roshan was founded when Afghanistan lacked infrastructure: National calls were expensive, international calls only possible from abroad, and much of the existent structures dominated by the Taliban (The Economist, 2007). MTI took not only the managing lead but also provided technical lead for the deployment of the mobile-telephone network. It was acknowledged through a number of international awards, including the 2005 ‘Best Marketing Award’ (3GSM World Congress), the 2006 ‘Best Brand Award’ (CommesMEA), the ‘Excellence in Leadership Award’, Frost & Sullivan, the Middle East Best CSR Contribution Award, the ‘Most Innovative Non-Voice Service’ Award 2008, the ‘Best Educational Project in the Gulf, Afghanistan and Pakistan 2009, Cisco, and further distinctions. At the time, consumer behavior was “challenging in a country where cash is often salted away in tin cans hidden in walls” (Rynecki, 2013), goods and services were bartered and basic needs were bottom-of-pyramid, and not including mobile telecommunications. Roshan – with a name meaning “light” in Dari and Pashto, Afghanistan's two biggest languages and also symbolizes hope-

The ‘extreme’ case environment: Afghanistan

By almost any measure, Afghanistan is one of the world's least developed countries. 42.3% of its population is below 14 years old (Index Mundi, 2012). After Angola, Afghanistan has the second highest infant mortality rate in the world at 153.14 per 1,000 live births. The death rate is 14.59 deaths/1,000 population (July 2011 est.), with a life expectancy at 49.72 years. The literacy rate is very low with only 28% literacy of the overall population aged 15 years and above in 2009 and 2012 data. Female literacy is lower than the national average at only 13% (CIA, 2009; Index Mundi, 2012). The country is heavily divided along sectarian lines with divisions along major languages including 50% Dari (Afghani Persian), 35% Pashto, 11% Turkish languages (mainly Uzbek and Turkmen) and a further 30 minority languages and two main religious streams (80% Sunni Muslims and 19% Shia Muslims). The purchasing power adjusted GDP per capita is USD 800 placing Afghanistan at a rank of 219 of 229 surveyed countries; 40% of the population is unemployed and 53% are living below the poverty line (CIA, 2009). The World Bank (2012) reports that the percentage of the population with access to electricity in Afghanistan remains amongst the lowest in the world. Its business climate is ranked by the World Bank at place 160 out of 183 countries in 2009, on rank 154 in 2011 and on Rank 160 again in 2012. It was unranked in 2003. Current ease of starting a business is ranked 30 out of 184 (World Bank, 2012). When it comes to offering protection for foreign direct investors, Afghanistan consistently holds the very last place of all countries in the ranking throughout a decade. Transparency International (2008; 2010) reports a similarly dismal picture ranking Afghanistan at place 172 of 179 on its corruption perceptions index in 2008, declining to 179 out of 180 ranked countries in 2010. To date, Afghanistan is usually in the lowest 10% of the world's countries on a variety of different measures and presents one of the toughest business environments that exist. However, the poor state of the country's infrastructure also provides a significant potential opportunity for private business (Giustozzi, 2006) and for early international investors (Marsden, 2003).

The country's history is instrumental to understanding the business environment, and whilst a detailed report of it is not possible here, we stress that it is marked by social disorder, economic marginalization, and political dislocation, a "history over the centuries of women's subjugation" (Ahmed-Ghosh 2003), by tribal and community power struggles, various foreign invasions and intervention, migration and brain drain: A historic "lack of skilled personnel contributes to continued underdevelopment, particularly in key areas such as the health and education sectors." (Kuschminder & Dora, 2009). The following two paragraphs, extracted from the diary of one of the authors are relevant as starting point.

"I was going in the same van this morning as one of my Afghan colleagues – a guy probably about the same age as the author [The Kite Runner by the Afghan writer Khaled Hosseini] – so I asked him if things really were as bad as they were described in the book. He told me that it was a very fine description of how things really were. He added that the worst times had been during the civil war when all the warlords were fighting against each other all over the country, including Kabul while the Mujahadeen's were shelling bombs down over Kabul from the surrounding mountains. Those days, he said, were really unsafe. Not like today, but really, really terrible. You couldn't go out very much since the bombings and fighting were too hard. But the worst, he added, was that you didn't own anything. He explained that since the warlords had absolute power, they could do whatever they wanted. If you happened to have a pretty daughter you would risk that one of the warlords would come and take her. If you resisted he would shoot you on the spot. (Nielson, 2004)

"Today during lunch, I was having a chat with some of my Afghan colleagues. One thing that makes me sad when having these conversations is that when I ask my Afghan colleagues about their vision for the future for themselves and their country, they are generally without hope. The normal response is

that they do not think that things are going to change for the better – at least not within the coming decades.” (Nielson, 2004)

The case of Afghanistan legitimately qualifies as ‘extreme’ and as ‘very distant’ from that of Monaco Telecom in the definition offered above. Conducting ‘thick’ qualitative research in the context of a case of internationalization into ‘extreme’ location offers hence unique learning and research opportunity.

The Method of case investigation and its Data

Our case data is derived from ‘extreme’ case method in consistency with Brown and Eisenhardt (1997), Yin (2003) and Ghauri (2004). We believe a single case approach has been justified given the potential value that can be gained through this in-depth study. This investigation of the propositions we develop, i.e., that ‘very distant’ business environments reduce learning myopia and induce enhances proactive learning capabilities that are dependent on managerial commitment and counteract inertia, was based on multiple methods. Also this method allows for counterbalancing the lack of more extensive qualitative or quantitative data and reference material in such contexts, in which research projects remain particularly difficult and dangerous to handle.

In the terminology of Yin (2003) and the conceptualization of research methods by Ghauri (2004), the Roshan case can be categorized as an extreme case: This is conditioned by the location of Roshan’s operations and by the managing MNE stakeholder’s origin from a home country perceived as ‘developed’, ‘institutionally advanced’ and ‘neutral’ in country risk terms (Coface rating A1/A2 of Monaco together with France, versus Afghanistan, D, 2011/12). An essential feature (and necessity) of this research is hence our ‘inquiry from the inside’ (Evered & Louis, 1981). It relies on a combination of four methods: *direct observation, company reports, a diary and management interviews*; the latter three methods were scrutinized through content analyses. We adopted a close ‘insider’ engagement with the research site over an extended period of time, to benefit from a deep, ‘thick’ and unique field study, through the presence of one of the authors on site. To fully analyze this material, we then used a mix of content analysis and grounded theory methodology (Glaser & Strauss, 1967; Strauss & Corbin, 1998; Charmaz, 2006), which allowed us to organize data into a cyclical process of sequential data collection and constant comparisons between sources. As a result, data collection and analysis have taken place in parallel rather than sequentially.

A core part of the data collection consists of a written diary kept for a period of three months by one of the authors while working at Roshan. Diaries are increasingly being used in management research (e.g., Balogun & Johnson, 2004): This diary captured daily direct observations and personal reflections. It was used to conduct initial content (similar to Michailova & Minbaeva, 2012), categorize variables (‘challenges’ and ‘responses’) by relevance, saturate these and make comparisons. Some high level themes quickly emerged by frequency of reference, such as the perceived knowledge gaps stemming from the lack of security and lack of development, and the diarist was then encouraged to drill deeper into such emerging areas.

At this stage of the analysis, these high level themes were kept as emerging ideas in a ‘memo’ format rather than being formally coded. Over time these memos came to include emerging codes, reflections on similarities and differences with extant literature and initial attempts to construct visual models.

In addition to the diary, a total of ten semi-structured interviews were conducted on managerial level. The diary and the interview transcripts were coded consistent with open, axial and selective coding as detailed in Strauss & Corbin (1998) and clustered into open codes together into related categories in axial coding and then into a central category in selective coding.

Table 1: Challenge and response variables in extreme context

<p>(1) First-Order Analysis: Security Challenges</p> <p><i>Personal danger.</i></p> <p><i>High security costs.</i></p> <p><i>Government weak outside Kabul.</i></p> <p><i>Limited freedom to move around.</i></p> <p><i>Difficult to recruit expats and find suppliers.</i></p>	<p>(2) First-Order Analysis: Managerial Responses to Security Challenges</p> <p><i>Ensure adequate security measures.</i></p> <p><i>Follow security rules.</i></p> <p><i>Go local.</i></p> <p><i>Adopt the right mindset.</i></p> <p><i>Relax despite circumstances.</i></p>
<p>(3) First-order Analysis: Challenges Due to Lack of Development:</p> <p><i>Lack of skills.</i></p> <p><i>Weak infrastructure.</i></p> <p><i>Weak rule of law.</i></p> <p><i>Corruption and fraud.</i></p> <p><i>Unpredictable government.</i></p>	<p>(4) First-order Analysis: Managerial Responses to Lack of Development</p> <p><i>Hire for attitude.</i></p> <p><i>Educate and train.</i></p> <p><i>Build infrastructure.</i></p> <p><i>Build powerful relationships.</i></p> <p><i>Allow buffers.</i></p> <p><i>Work to raise standards.</i></p>

Because respondents referred to their and their organization’s learning with reference to the ‘challenges’ they faced, this central theme captured the perceived knowledge gap; coding thus centered on types of challenges, and organizational and managerial responses as learning indicators, represented in Table 1. Appendix 1 presents the coding structure and response distribution summary.

Findings and Discussion

In this part, we present our key findings and discuss them “by intertwining empirical observations with theoretical insights” (cf. Piekkari et al.,2010) and categorization that we can derive from them, which “allows to better represent the iterative process of theorizing from case data” (p.513).

Learning and rare knowledge building in relative voids

We find that in extreme contexts, institutional conditions and threat frequency teach us about the sequential appropriation of capabilities in the post-entry phase. This is so because the firm learns to deal with large knowledge gap through offsetting (or compensation) activities, that is, activities that foremost fill the security and development void resulting from extreme conditions. These activities can reasonably be thought to be easier to explore in extreme (void) contexts than in environments with emergent country institutional conditions or infrequent threat conditions, which are most likely less dangerous yet more rigid and thus related to myopia. Knowing that in extreme contexts, a linear co-evolution of institutions and corporations is not an option, we observe that *the development of learning content ('challenges') and the managerial commitment to learning ('responses') designs learning path developments (implementations) that crucially drive absorptive capacity (survival; applicability in similar environments) and consequently yield rare knowledge advantage (barriers to entry for competitors)*. While some of the learning may not be transposable to the home market, it may be so for other host markets and triggers a learning capacity that, if assimilated by the organization, becomes inherent in a variety of contexts.

Therefore, our findings help us embed our analysis in a categorization of contexts that define content, in a typology shown in Figure 2.

Figure 2: Typology of operating environments



1

In the *bottom-left quadrant* we position Business Environment 1 with infrequent threats in strong institutional environments. This is a generally safe and developed environment in which there are occasionally natural disasters (e.g. Hurricane Katrina) or disruptive & tragic man-made disaster including terrorist attacks (e.g. 9/11),

or other ‘black swan’ events (Taleb, 2007). As noted, the common form of organizational response appears to be to allocate security responsibilities to a select group of individuals. Also, the institutional environment secures the venture. This economizes the efforts required and it would also be difficult to manage to keep up the level of individual vigilance by always ‘crying wolf’ in a generally safe environment.

In the *bottom-right quadrant*, Environment 2, we position generally safe countries (e.g. India, Indonesia, China) lacking some institutional maturity. This corresponds to the environments discussed by Khanna and Palepu (incl. 1997, 1999, 2000a, 2000b, 2005 and 2010). Firms in this quadrant need to mitigate the lack of institutions through internalization efforts. However, there is no need to deeply embed this into individual internalization, and learning will rely more on organizational than individualized processes. Threats are relatively infrequent but given weak institutions, the government might not be effectively dealing with the consequences of disasters. As such, firms may need to be prepared to assume a greater organizational responsibility for disaster resolution.

In the *top-left quadrant*, Environment 3, we visualize high-risk areas in developed countries. This includes specific locations more frequently targeted by terrorists, in particular since 09/11. A given individual is exposed to variations of high-risk perceptions (or: stress), specifically when he/she is in one of the typical locations (airports, event venues, corporate targets and similar) when announcements are made and/or when being encouraged to report any suspicious activity. Simple rules are meant to engage non-specialists to internalize learning as a response to security threats. In these environments, organizations tend to move away from relying on a few experts to prepare for possible threats; a wider range of employees is trained to notice suspicious behavior and avoid risks. From an institutional viewpoint, when turmoil strikes, the government is usually able to respond relatively effectively given well- developed structures and processes.

Finally, in the *top-right quadrant*, Environment 4 (E4), we position the context recognized by all streams of literature as most difficult and ‘distant’. It is under-researched and has constituted the core locus of our investigation. It is characterized by both high frequencies of threats and weak institutions (e.g., Afghanistan, Iraq, Somalia, Yemen, Oman). To function, managers claim that a knowledge gap not only needs to be closed, but that in addition, it is crucial to compensate for institution voids. Our case demonstrates that in such contexts, managerial learning is stimulated within the process of pro-active experimentation, already when resources have been committed. Our case shows that the result is twofold: interaction with the external environment and organizational knowledge increase.

For example, ‘In the risky regions, I hire locals. The benefit of this is that they know the local environment, plus that we show the regions that we also care about developing them.’ (Interviewee, 2004¹)

This translates into an increase in organizational learning capabilities when the organization internationalizes further. This is so because organizations use learning to improve effectiveness of existent operations or to promote awareness of potential alternatives or options (Huber, 1991, pp. 126–127; Forsgren, 2002, p. 264). Firms seek to yield international momentum in ever more diverse locations, and we extend the theory claiming

they increasingly diversify their internationalization path through strategic internationalization innovation (Cantwell & Narula, 2001) or when firms become (sometimes willingly) experienced in facing globalizing threats (Suder & Czinkota, 2005; Czinkota et al., 2010). This observation in an E4 context is novel. Indeed, learning in yet untapped host countries improves knowledge assimilation (Tong & Li, 2008) because “successful implementation of a competence-creating strategy is indeed based on the exploration of intangible and locally contributed resources” (Santangelo & Meyer, 2011, p. 895).

Pro-active learning

The case investigated here confirms that ‘very distant’ host environments reduce learning myopia and stimulate pro-active learning. We also posited that *pro-active organizational learning is contingent upon managerial commitment to learning in “distant” environments, counter-acts inertia and benefits firm’s absorptive capacity*. Extant research typically implies that commitment levels tend to be low in contexts (Petersen et al., 2008) where the risk is perceived as elevated and the knowledge gap is large, that is, could also be expected in E4. Yet, “it is reasonable to expect that foreign investments are sometimes carried out despite the lack of market-specific knowledge rather than thanks to its existence” (Forsgren 2002: 266) and although more resources are needed for psychic –viewed ‘distant’ markets (Clarke et.al., 2012), “effective managerial decision-making may involve more than mere transaction cost minimization considerations”. We found the latter to be true in an extreme, very distant environment: In this case from Afghanistan, we observed positive returns specifically from managerial perceptions of knowledge gaps (along Petersen et al., 2008, p. 1104) and the resulting learning effects perceived (cf also Verbeke & Kano, 2012), asserted to be key elements for knowledge acquisition with an objective of developing new competitive advantages. In extreme cases, these derive from managers’ responses to normally unlikely (in stable business environment) threats, their reaction (here understood as knowledge increase through learning) to environmentally ‘imposed strategies’ (Santangelo and Meyer, 2011), “a situation where “the environment can directly force the organization into a pattern in its stream of actions, regardless of the presence of central controls” (Mintzberg & Waters, 1985, p. 208); but, we add, particularly from *the learning path shaped and enhanced as a result of adaptation efforts*. One reason is the unpredictability of the events, which makes it impossible for knowledge to be ex-ante acquired or/and generalizable by managers. Also, existent knowledge that any foreign MNE investor possesses can be assumed to be scarce to some degree. Environmental factors thus exert significant influence on strategic decision process characteristics (Rajagopalan et al., 1993), in which knowledge and learning are crucial (Brouthers et al., 2009). But, at this time, no research into extreme environments had forwarded such views due to the difficulty and danger of concomitant in-depth research.

Organizational responses to Institutional Voids

Managers from developed country multinationals, who in our case are managing the E4 operations, may expect the presence of ‘soft’ institutional infrastructure when they go abroad (Khanna, Palepu & Sinha, 2005). This assumption is however quite dangerous given that most developing or emerging markets are characterized by some level of what Khanna & Palepu (1997) have called ‘institutional voids’. Johanson & Vahlne (2009) note, “a lack of institutional market knowledge – that is, lack of knowledge about language, laws, and rules – has to do with factors related to psychic distance, and to the liability of foreignness.” (p. 1416). We find that locations

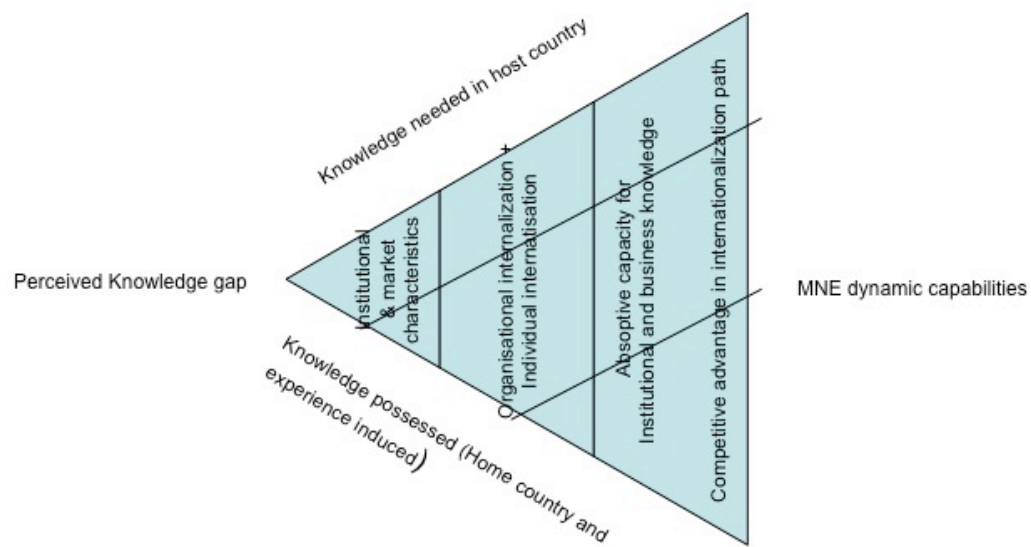
with institutional voids however represent ‘vacuums’ in markets for capital, products and labor, government regulation, contracts enforcement through the legal system and appropriate infrastructures.

One citation reflects that ‘The government has got no power outside the Capital. Here, the community leaders dominate’. (Nielsen, 2005)

Our sample refers to these issues as security and development challenges. Our findings confirm that the *lack of security* presents the foremost category of challenges (knowledge gap) perceived by managers, and requires the most immediate action in regard to content (learning) and commitment, as modeled in Figure 3. In this category, the personal danger factor presents the biggest issue. An employee is at risk of being kidnapped, robbed and murdered.

‘Last year, an Indian guy from the engineering department went to inspect a couple of towers. He brought a security detail, but after inspecting the first tower he asked them to leave and then meet him after he had inspected the second one. He disappeared and after a couple of days his ... body was found’ (Interviewee, 2004)

Figure 3: Expanding internationalization options and dynamic capabilities through knowledge gap closure



Besides the general personal danger, the second most important issue is the limited personal freedom to move around. These factors stemming from knowledge gaps are found to be decisive for managerial learning path orientation, as they hold not only personal but also professional implications.

Citations reflect this perception of the environment as ‘very odd’, ‘strange working conditions’, ‘... seems ok to them’, ‘...we are confined...’, ‘heavily constraint’. (Interviewee, 2004 and Nielson, 2005)

A *lack of development* in Afghanistan is ranked second most relevant. Under the lack of development (challenge subcategory), the lack of skills (due to poorly educated workforce) holds the greatest importance amongst the other lack of development factors, and is directly linked by managers to the lack of institutional evolution. Respondents provide evidence that organizations need to learn to fill this gap (for further detail, see Appendix 1). Following the lack of skills, the two subsequent most important factors in the lack of development subcategory are corruption, fraud and weak infrastructure: adequate learning of how to deal with these factors is crucial.

‘This is not a post-war country, it is a war country’ (Interviewee, 2004)

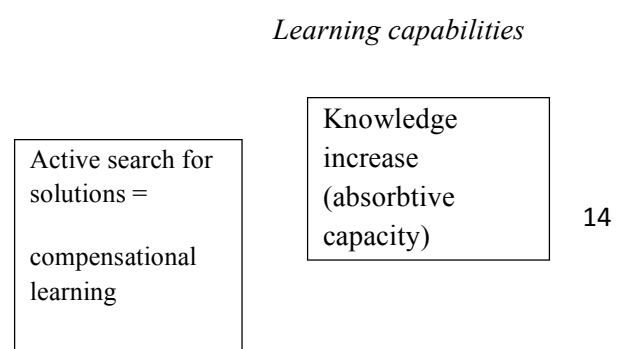
‘You have to be ready to build everything around you when you set up a business in an environment like this.’ (Interviewee, 2004)

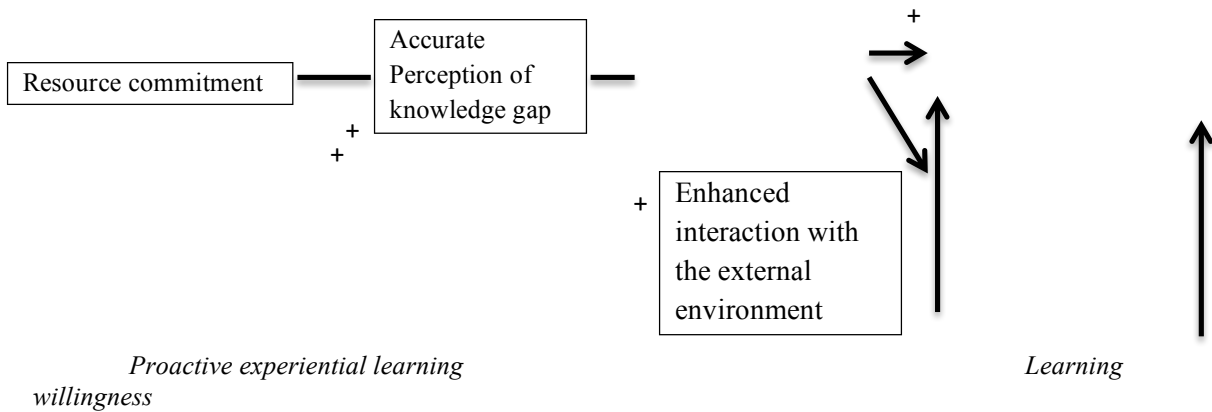
In extreme contexts, such lack of knowledge is significant; the knowledge gap cannot be closed but needs to be offset. Moreover, if internationalization is contingent “more on developing opportunities than on overcoming uncertainties, for example concerning institutional conditions in the foreign market” (Johanson & Vahlne, 2009:1432), there is no risk to assume that organizational learning through active search for solutions to “non-traditional” situations becomes crucial for adaptability and local success.

‘An example was Afghanistan Beverages. A local company made by a local entrepreneur. They lacked experience in how to run a business. When they began their operation they had no idea on how to forecast their staffing needs and related communications expenditures. I educated them in how to plan their manpower, and how to use telecoms as a means to develop their business. As a result we retained and grew our business with them.’ (Nielsen, 2005)

It thus becomes crucial that firms explore and exploit proactive experiential learning and stimulate managerial learning willingness to increase capabilities in the post-entry phase (Figure 4) because they are committed, given context, to finding solutions to compensate for voids (compensational learning), thus shaping an alternative internationalization path.

Figure 4: Shaping the internationalization path: the role of proactive experiential learning and managerial learning willingness for increase of learning capabilities, post market entry





This sequential appropriation of capabilities supports the avoidance of inertia, a concept scrutinized by Volberda and Lewin (2003). Santangelo and Meyer (2011) note “rigidities both inside organizations and in external relationships” in the context of institutional voids (p. 899) in regard to emerging markets. In these markets, one would rather, they claim, see substantial market failures that increase transaction costs of firms. We can extend this, in that the more extreme the market, the more challenging are capital, governance and labor infrastructures, reliable information, security and development altogether. Yet, it appears that firms can learn to avoid, adapt, or co-evolve in and within a given institutional context: Alternative solutions can be adapted market entry modes (Hennart, 2009) or/ and post-entry internalization (Feinberg & Gupta, 2009) and other modes compensating for extreme conditions.

Learning to manage from Frequent Security Threat

The frequency of threats influences the optimal type of organizational response, as recognize both international business management literature and the organizational learning lens. The stock of infrequent threats literature mostly focuses developed markets. While threats may come from a variety of different sources, terrorism and natural disasters are often singled out. Literature typically advocates rationality in the management of potential threats based on experts that assess, manage and optimize organizational learning about threat and disaster contingencies. However, if learning serves as an enhancement of capabilities to offsetting the risk of negative return, then this limited enclosure of learning is not an option. Learning then requires, by reach and content, an organizational and transferable individual, human dimension, which is, the manager.

The rare ‘frequent threats’ literature stream depicts threats occurring in significantly different operating environments labeled as weak governance zones (OECD, 2006), high-risk countries in the context of country risk (Feinberg & Gupta 2009), chronic emergencies (Lautze et al., 2004), collapsed states (Cooper, 2002), conflict zones (Idahosa, 2002; Polkinghorn & Byrne, 2001), dangerous places (Economist, 2004), failed states (Foreign Policy, 2007), hot spots (Suder, 2006) or war zones (Banham, 2005; Frohman, 2006). Frequent threats occur in contexts with substantial institutional voids as observed in our case. Threats in these contexts are often ‘man-made’ in origin and include kidnapping and murder (Banham, 2002, 2005; Barth, 1998; Beeman et al., 1988; Leonard, 2004; Welt, 1986), bomb and rocket attacks (Frohman, 2006; Kupisz, 2006). When these dangers are omnipresent, there is a call for individual vigilance and commitment. Literature suggests that a

firm's optimal security response may vary with the frequency of threats. It appears that, as the frequency of threats increases, firms tend to shift from specialized teams towards greater emphasis on individual vigilance and learning that complements organizational learning, and hence closes knowledge gaps. The individual is thus integral part of the organization's expansion of capabilities as confirmed by our study. The manager learns from individual, social, professional and community interaction, and assimilates this learning:

'You need to change their mindset by working with them socially. They only know 'bad' managers. The leaders they have seen are warlords so you have to teach them that there are other types of leaders' (Interviewee, 2004)

As expected, learning is derived from observation and pro-active experience in the search for solutions. *Proactive experiential learning* occurs in this case once the resources are committed and managers are facing the context. The gap between home and host environment can only be closed, because managers are capable of perceiving it and commit to doing so, for the benefit of the organization. This *Learning willingness* has a positive effect on the active search for solutions. The acute lack of development and divergence with its managing stakeholder's home countries force Roshan to *actively search for solutions* that lead to acquisition of knowledge to overcome complexity and respond to "non-traditional" problems, for example in supplier and partner relation building, or in staff recruitment:

'When you recruit, it is not about the CV only. It is such a complicated mix of personal traits and capabilities. The professional skills are of relatively small importance here.' (Interviewee, 2004)

'I have some examples of some of my staff. One started as a driver. One as a guard. Both have now become managers. They just need a window to be opened for them. You need to spot their strengths.' (Interviewee, 2004)

The active search for solutions and the associated knowledge increase encompasses all levels of activity, from *business-* (human capital, customers, external suppliers, resources...) to *institutional knowledge* including infrastructures, security and community engagement:

'If you have relationships you can almost do anything. Sometimes the relationships can replace the law.' (Interviewee, 2004)

Our sample of respondents provided us with rare in-depth qualitative data that revealed learning contents required by MNEs from developed home markets to fill extreme gaps in resolutely 'distant' host markets, to simultaneously expand capabilities for the pursue of competitive advantage on their internationalization path towards future growth.

'We had to build the roads ourselves. '

This may include the learning necessary to undertake activities such as building roads, operating transport to take employees to and from work, conducting very extensive training (of employees, customers, suppliers and the government), operating compound facilities, setting up professional security services, generating electricity

and building relationships with powerful individuals to compensate for lack of regulation and rule of law, and to develop capabilities in this. Most importantly, the potential competitive advantage stemming from ‘rare’ contextual implicit and tacit knowledge serves internationalization path orientations that challenge our view of traditional risk-return-commitment dependencies, and reinforce the significance of the knowledge- view of internationalization, yet in generally unexpected ways.

We consequently consider that the resulting knowledge acquired and managed by the organization and its individuals allows for an *enhanced interaction with external environments*, expanding its capabilities through the additional competence of offset- or ‘compensational’ learning, and subsequently *widening options of international growth* through learning opportunities and aptitudes. We can affirm that internalization of foreign markets can become prerequisites for market expansion and increased resource commitment (Johanson & Vahlne, 1977; Pedersen et al., 2008), as stated in our introduction: The case company Roshan continues its activities in Afghanistan, with identical ownership and has consequently shown its resilience and longevity in a challenging market; the firm has dealt with a fall in consumption due the departure of foreign troupes, through internationalization: Telecoms are today Afghanistan’s most high-profile legal export, and Roshan Telecom took its network to Uganda, Burundi and Tanzania in 2014 , renamed SMART (QZ, 2014, <http://qz.com/192010/afghanistan-just-spawned-a-multinational-thats-taking-on-global-giants-in-africa/>), i.e., into countries in which telephony remains as patchy as it used to be in Afghanistan and in which, like in Afghanistan, it is connecting Aga Khan’s institutions—schools, hospitals.

The Afghan telecoms market has meanwhile evolved into the largest tax paying sector in the country, and the competition has increased through mainly Etisalat, MTN, AWCC and AfTel (Rynecki, 2013). Huawei, Vodafone and Nokia Siemens Networks have also entered the market, yet have become partners rather than competitors and thus benefit from the rare knowledge acquired. The Roshan Community, i.e., community commitment, has continued also to grow. A fifth of its employees now are women. Whilst technology leapfrogs to mobile wallet technology appropriate un-experimented in Western markets (and thus, transferable to Monaco Telecom’s home market), humanitarian needs also drive R&D. USAID in 2012 decided to support the telecom’s reach for banking and social security access by helping upscale through “Pricing that allows for rural inclusion; Providing interoperability between banks, mobile operators and merchants; Exploring new branchless banking laws to help mobile money flourish; Better understand consumer preferences for informal money transfers (Hawala); Strategies to ensure rural market liquidity (enough cash in the till for payouts); Business models for mobile operators and agents to ensure their sustainability, as well as challenges on agent recruitment and management; Increasing caps on mobile money transactions for Customs duty payments and government salaries”. While particularly appropriate for this market, the technology and marketing knowledge, embedded in rare knowledge acquisition, allows the developed-country shareholder to foster innovation in the home market and for its further international expansion. Importantly, it has also prided itself in “bringing the culture of Afghanistan back and giving people a voice”, and thus to “allay animosity that might arise from the company’s Ismaili roots in a predominantly Sunni country” (QZ, op.cit.)

Conclusions and Suggestions for further research

The substantial challenges when operating in an ‘extreme’ environment allow researchers to uncover *how and why learning capabilities, reflected by the firm’s absorptive capacity and its interaction with the external environment, enhance with the decision to commit resources to ‘very distant’ business environment*. Challenges perceived by managers and the revelation of response mechanisms have broadened our assumptions that proactive experiential learning holds an essential advantage, connected to commitment and ultimately leading to VRIO knowledge creation. Extant literature discusses the role of absorptive capacity and experience for the decision to commit resources within the internationalization process mainly in institutional stable environments. In our case, by inverting the research perspective traditionally adopted, we demonstrate that learning capability aligned with absorptive capacity and subject to interaction with the external environment, is enhanced by the willingness to experiment and learn in extreme environments, covering the last remaining quadrant of environments so rarely explored in academic research. This approach is novel. We stipulate that proactive experiential learning has a positive influence on post-entry internationalization and enhances organizational internationalization knowledge.

Both the IB and strategy literature have come to denote that it is crucial for MNEs to search and learn, and to do so in a unique manner that is difficult to imitate for the competition in a specific environment. The knowledge thus explored and exploitable is also dependent, it is found, on embeddedness rather than the number or location of markets. The investigation of cases such as the one presented here may, as future avenues of research, thus also benefit from the analysis of capability building and competitiveness that, Cantwell argued recently, relies on the ability of the firm to orchestrate complementary internal and external networks (Cantwell, 2014:3). Whilst this was not the focus of this paper, its findings sustain indications as to the potential that knowledge from uniquely embedded international operation can bring to the MNE through ownership advantages (Cantwell, 2014; Kafouros et al. 2012; Hennart, 2007), that emanates from the depth or scope of internationalization.

Internationalization theory typically proposes a steady process of foreign expansion based on learning-by-doing that subsequently facilitates commitment to increasing resource – engagement in the foreign market (Eriksson et al., 1997). However, there are alternatives. We therefore opted to examine a different case, in that the MNE in our study chose high levels of commitment, obtaining both IJV control and knowledge (Slangen & Van Tulder, 2009) and exploits rare knowledge acquisition opportunities to gain a competitive edge. By learning to *compensate for knowledge voids*, a firm can indeed design an *alternative internationalization path*. Current extension of the absorptive capacity theory (Song & Shin, 2008; Becker-Ritterspach et al., 2010) suggests that flows of organizational and individual learning are not only interrelated, but potentially yield rare valuable capabilities. In this case study, these capabilities were materialized through a yet under-researched innovative alternative internationalization strategy.

Finally, our findings extend the stipulations of Khanna et.al. (2000; 2005), in that, while the internalization effect is confirmed in our context, institutional void and high threat frequency do not constitute an

insurmountable barrier. The exposure of a firm to any very unusual context increases its knowledge base and potentially, its dynamic capabilities.

We started our research “once entry mode choice has been made”, as recommended by Canabal & White (2008) because we shed light on this particular side of the equation of foreign market ventures. We chose to do so because of the insight it provides in the investigation of knowledge and learning in the MNE subsidiary venture, instead of comparing parent and subsidiary knowledge in their two separate locations.

The main drawbacks of this study derive from the case study methodology’s potential limitation to generalizability. We contend that our findings need to be complemented by further similar qualitative and possibly quantitative studies in order to be able to validate theoretical contributions. We acknowledge the difficulty to conduct comparable research studies in countries like Iraq, Yemen, Zimbabwe, Somalia or Syria, countries that can be considered similarly ‘extreme’ locations for internationalization. Also, for the sake of theorization, a study of reverse internationalization cases (from extreme ‘home’ to highly developed ‘host’ markets) would strengthen our theoretical argument. Though challenging, such efforts have great potential to add to our understanding of both dynamic capabilities and sustain a broader view on variations of internationalization strategy.

Further research might also shed light on the following proposition emanating from this study: The greater the learning commitment and the resources attributed to the venture, the greater the commitment to locate in a scope of markets including extreme locations (in regard to institutional voids, threat or other extreme conditions), and thus, the greater the rare knowledge acquired, assimilated, transformed and consequently the greater what Santangelo & Meyer (2012) call the “world mandate” of the firm. Or to the question, expanding on Michailova & Minbaeva’s (2012): Is rare knowledge internally processed in a similar manner as more ‘general’ knowledge?

Note: Interviewees are not identified for confidentiality reasons and upon their request. Interviews were conducted by one of the co-authors in Afghanistan in 2004. Each quote used in this text has been verified and each has been expressed by a different interviewee, assuring sufficient and relevant scale and scope of research.

References

- Ahmed-Ghosh, Huma (2003). A History of Women in Afghanistan: Lessons Learnt for the Future or Yesterdays and Tomorrow: Women in Afghanistan. *Journal of International Women's Studies*, 4(3), 1-14.
- Balogun, J. & Johnson, G. (2004). Organizational restructuring and middle manager sensemaking. *Academy of Management Journal*, 47(4): 523-549.
- Banham, R. (2002). Are kidnappers changing the rules? *Treasury and Risk Management*, 12(4), 18-23.

- Banham, R. (2005). Between Iraq and a hard place. *Treasury and Risk Management*, 15(1), 33-35.
- Barkema, H. & Drogendijk, R. (2007). Internationalising in small, incremental or larger steps?, *Journal of International Business Studies*, 38, 1132–1148.
- Barney, J. & Hesterly, W. (2010). VRIO Framework. In: *Strategic Management and Competitive Advantage* (pp. 68-86). New Jersey: Pearson.
- Barth, S. (1998). In dangerous places. *World Trade*, 11(10), 64-67.
- Becker- Ritterspach, F., Hotho, J. & Saka- Helmhout, A. (2010). Subsidiary Learning and Social Interaction: The micro-foundations of absorptive capacity. *European Academy of Management Annual Conference 2010*, Conference proceedings, Rome.
- Beeman, D., Sharkey, T. & Magill, S. (1988). Will you return from your next business trip? *Business Horizons*, 31(4), 58-63.
- Birnik, A. & Cormack, R. (2010). Managing Market Entry in Oman: The Case of Nawras, *Thunderbird International Business Review*, 52(5), 403 - 418.
- Brouthers, L., Brouthers, S. & Werner, S. (2008). Real option, international entry mode choice and performance. *Journal of Management Studies*, 45(5): 936–960.
- Brouthers, K., & Hennart, J. (2007). Boundaries of the firm: Insight from international entry mode research. *Journal of Management*, 33(3): 395-425.
- Brown, S. & Eisenhardt, K (1997). The art of continuous change: linking complexity theory and time-paced evolution in relentlessly shifting organizations, *Administrative Science Quarterly*, 42(1), 1–34.
- Bryman, A. (1988). *Quantity and quality in social research*. London: Routledge.
- Buckley, P. & Casson, M. (2009). The internalisation theory of the multinational enterprise: A review of the progress of a research agenda after 30 years, *Journal of International Business Studies*, 40, 1563–1580.
- Canabal, A. & While, G. (2008). Entry mode research: Past and future, *International Business Review*, 17(3), 267–284.
- Cantwell, J. (1990). A survey of theories of international production. In N. Pitelis, & R. Sugden (Eds.), *The nature of the transnational firm*. London: Routledge.
- Cantwell J. (2014) Revisiting international business theory: a capabilities-based theory of the MNE. *Journal of International Business Studies*, 45:1-7.
- Cantwell, J., Duning, J. & Lundan, S. (2010). An evolutionary approach to understanding international business activity: The co-evolution of MNEs and the institutional environment, *Journal of International Business Studies*, 41, 567–586.
- Cantwell, J. & Narula, R. (2001). The Eclectic Paradigm in the Global Economy. *International Journal of the Economics of Business*, 8(2), 155-172.
- Central Intelligence Agency CIA (2008) and (2009). The World Factbook: Afghanistan, <https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>; February 14 2008 and 15 March 2009.

- Charmaz, K. (2000). Grounded theory: Objectivist and constructivist methods. In N. K. Denzin and Y. S. Lincoln (Eds.), *Handbook of qualitative research*: 509-535. Thousand Oaks, California: Sage Publications.
- Charmaz, K. (2006). *Constructing grounded theory: A practical guide through qualitative analysis*. London: Sage.
- Clarke, J. E., Tamaschke, R. & Liesch, P. (2009). Dynamic internationalization capability and firm performance. In: Reshaping the Boundaries of the Firm in an Era of Global Interdependence. *35th European International Business Academy Conference 2009*, Valencia, Spain, (1-31). 13-15 December, 2009.
- Clarke, J., Tamaschke, R. & Liesch, P. (2012). International Experience in International Business Research: A Conceptualization and Exploration of Key Themes, *International Journal of Management Reviews*, In press.
- Coase, R. (1937). *The nature of the firm*. *Economica*, 4(16), 386–405.
- Cohen, W. & Levinthal, D. (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 35(2), 128–152.
- Cooper, N. (2002). State collapse as business: The role of conflict trade and the emerging control agenda. *Development and Change*, 33(5), 935-955.
- Cuervo-Cazurra1, A., Maloney, M. & Manrakhan, Sh. (2007). Causes of the difficulties in internationalization, *Journal of International Business Studies*, 38, 709–725.
- Czinkota, M., Knight, G., Liesch, P. & Steen, J. (2010). Terrorism and international business: A research agenda, *Journal of International Business Studies*, 41, 826-843.
- Dermisi, S. V. (2006). Terrorism protection and prevention measures for office buildings. *Journal of Real Estate Literature*, 14(1), 59-86.
- Doz, Y. & Prahalad, C. (1991). Managing DMNCs: A search for a new paradigm. *Strategic Management Journal*, 12 (Special Issue), 145-164.
- Dunning, J. & Lundan, S. (2008). Institutions and the OLI paradigm of the multinational enterprise, *Asia Pacific Journal of Management*, 25(4), 573-593.
- Economist. (2004). Doing business in dangerous places. *The Economist*, 372(8388), 11.
- Economist. (2007). Shining a light - Face value, *The Economist*. 10. London.
- Eisenhardt, K. & Sull, D. (2001). Strategy as simple rules. *Harvard Business Review*, 79(1), 106-116.
- Enderwick, P. (2006). Managing the new global threats. *University of Auckland Business Review*, 8(2), 63-72.
- Eriksson, K., Johanson, J., Majkgaard, A., & Sharma, D. D. (1997). Experiential knowledge and cost in the internationaliza- tion process. *Journal of International Business Studies*, 28(2), 337–360.
- Evered, R. & Louis, M. R. (1981). Alternative perspectives in the organizational sciences: "Inquiry from the inside" and "inquiry from the outside", *Academy of Management Review*, 6, 385-395.

- Feinberg, S. & Gupta, A. (2009). MNC subsidiaries and country risk: Internalization as a safeguard against weak external institutions, *Academy of Management Journal*, 52(2), 381-399.
- Foreign Policy (2007). Failed states index 2007. *Foreign Policy*, 161(July-August), 54-63.
- Forsgren, M. (2002). The concept of learning in the Uppsala internationalization process model: a critical review, *International Business Review*, 11, 257-277.
- Frohman, D. (2006). Leadership under fire. *Harvard Business Review*, 84(12), 124-131.
- Gaur, A. & Lu, J. (2007). Ownership Strategies and Survival of Foreign Subsidiaries: Impacts of Institutional Distance and Experience. *Journal of Management*, 33, 84-110.
- Ghauri, P. (2004). "Designing and Conducting Case Studies in International Business Research," in Marchan-Piekkari, R. and Welch, C. (Eds.), *Handbook of Qualitative Research Methods for International Business*, Cheltenham, UK: Edward Elgar, 109-204.
- Gioia, D. & Chittipeddi, K. (1991). Sensemaking and sensegiving in strategic change initiation. *Strategic Management Journal*, 12(6), 433-448.
- Giustozzi, A. (2006). Afghanistan: exploring the peace-building potential of the private sector. *International Alert*, London.
- Glaser, B. & Strauss, A. (1967). *The discovery of grounded theory: Strategies for qualitative research*. New York: Aldine.
- González-Herrero, A. & Pratt, C. (1995). How to manage a crisis before - or whenever - it hits. *Public Relations Quarterly*, 40(1), 25-29.
- Hennart, J. (2009). Down with MNE-centric theories! Market entry and expansion as the bundling of MNE and local assets, *Journal of International Business Studies*, 40, 1432-1454.
- Hennart, J-F. (2007). The Theoretical Rationale for a Multi- nationality-Performance Relationship. *Management International Review*, 47 (3), 423-452.
- Hocking, J., Brown, M. & Harzing, A. (2007). Balancing Global and Local Contexts: Expatriate knowledge transfer, applications and learning within a transnational organization. *Human Resources Management*, 46, 513-533.
- Huber, G. P. (1991). Organizational learning. The contributing processes and the literatures. *Organization Science*, 2(1), 88-115.
- Idahosa, P. (2002). Business Ethics and development in conflict (zones): The case of Talisman Oil. *Journal of Business Ethics*, 39(3), 227-246.
- Index Mundi (2012). *Afghanistan Demographics Profile 2012*, http://www.indexmundi.com/afghanistan/demographics_profile.html, August 10, 2012.
- Johanson, J., & Vahlne, J. (1977). The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32.

- Johanson, J., & Vahlne, J. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, *Journal of International Business Studies*, 40, 1411–1431.
- Kafouros, M.I., Buckley, P.J., & Clegg, J. (2012). The effects of global knowledge reservoirs on the productivity of multinational enterprises: The role of international depth and breadth. *Research Policy*, 41(5), 848-861.
- Khanna, T. & Palepu, K. (1997). Why focused strategies may be wrong for emerging markets. *Harvard Business Review*, 75(4), 41-51.
- Khanna, T. & Palepu, K. (1999). Policy shocks, market intermediaries, and corporate strategy: The evolution of business groups in Chile and India. *Journal of Economics and Management Strategy*, 8(2), 271-310.
- Khanna, T. & Palepu, K. (2000a). The future of business groups in emerging markets: Long-run evidence from Chile. *Academy of Management Journal*, 43(3), 268-285.
- Khanna, T. & Palepu, K. (2000b). Is group affiliation profitable in emerging markets? An analysis of diversified Indian business groups. *Journal of Finance*, 55(2), 867-891.
- Khanna, T., Palepu, K. & Sinha, J. (2005). Strategies that fit emerging markets. *Harvard Business Review*, 83(6), 63-76.
- Khanna, T. & Palepu, K. (2010). Emerging Giants Competing at Home How Emerging Market-Based Companies Can Build Competitive Advantage at Home, in: Khanna, T. & Palepu, K. (2010). *Winning in Emerging Markets: A Road Map for Strategy and Execution*, Chapter 5, Harvard Business Press, Cambridge, MA.
- Kupisz, R. (2006). Close to the edge: Notes from the Green Zone, Baghdad. *Journal of Facilities Management*, 4(2), 132-142.
- Kuschminder, K. and Dora, M. (2009) Migration in Afghanistan: History, Current Trends and Future Prospects, *Paper Series: Migration and Development Country Profiles*, Maastricht Graduate School of Governance.
- Lautze, S., Leaning, J., Raven-Roberts, A., Kent, R. & Mazurana, D. (2004). Assistance, protection, and governance networks in complex emergencies. *Lancet*, 364(9451), 2134-2141.
- Leonard, B. (2004). Workplace as war zone. *HR Magazine*, 37 and 48.
- Liesch, P. & Knight, G. (1999). Information Internalization and Hurdle Rates in Small and Medium Enterprise Internationalization, *Journal of International Business Studies*, 30, 383–394.
- Lincoln, Y. & Guba, E. (1985). *Naturalistic Inquiry*. Beverly Hills: Sage.
- Madsen, P. M., & Desai, V. (2010). Failing to learn? The effects of failure and success on organizational learning in the global orbital launch vehicle industry. *Academy of Management Journal*, 53(3): 451-476.
- March, J. (1991). Exploration and exploitation in organizational learning, *Organization Science*, 2(1), 71-87.
- March, J. G. (1999). *The pursuit of organizational intelligence*. Malden, MA, Blackwell

- Marsden, P. (2003). Afghanistan: the reconstruction process. *International Affairs*, 79 (1), 91–105.
- Mascarenhas, B. (1982). Coping with Uncertainty in International Business. *Journal of International Business Studies*, 13(2), 87-98.
- McIntyre, J. & Travis, E. (2006). Global supply chain under conditions of uncertainty: Economic impacts, corporate responses, strategic lessons. In G. Suder (Ed.), *Corporate Strategies under International Terrorism and Adversity*. Cheltenham, UK: Edward Elgar.
- Michailova, S. & Minbaeva, D. (2012). Organizational Values and Knowledge Sharing Behavior in MNCs. *International Business Review*, 21, 59-70.
- Mintzberg, H., & Waters, J. A. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, 6, 257–272.
- Nielsen, N. (2005) *Diary. Afghanistan*, Unpublished.
- Organisation for Economic Co-operation and Development (OECD) (2006). *OECD Risk awareness tool for Multinational enterprises in weak governance zones*. Organisation for Economic Co-Operation and Development, Paris.
- Pedersen, T., & Petersen, B. (1998). Explaining gradually increasing resource commitment to a foreign market. *International Business Review*, 7(5), 483–501.
- Perry, R. & Mankin, L. (2005). Preparing for the unthinkable: Managers, terrorism and the HRM function. *Public Personnel Management*, 34(2), 175-193.
- Petersen, B., Pedersen, T. & Lyles, M. (2008). Closing knowledge gaps in foreign markets, *Journal of International Business Studies*, 39, 1097–1113.
- Piekkari, R., Nell, Ph., & P. Ghauri (2010) Regional management as a system. *Management International Review*, 50:513–532.
- Pitelis, C. (2007). Edith Penrose and a learning-based perspective on the MNE and OLI *Management International Review*, 47(2), 207-219.
- Pla-Barber, J. & Sanchez-Peinado, E. (2005). *Choice of entry mode: a multi-level perspective applied to the service sector*, Conference paper and EIBA award winner.
- Pla-Barber, J., Sanchez-Peinado, E. & Madhok, A. (2010). Investment and Control Decisions in Foreign Markets: Evidence from Service Industries, *British Journal of Management*, Special Issue: An international forum advancing theory and research, 21(3), 736–753.
- Polkinghorn, B. & Byrne, S. (2001). Between war and peace: An examination of conflict management styles in four conflict zones. *International Journal of Conflict Management*, 12(1), 23-46.
- QZ/Quartz (2014). *And there was light: Afghanistan just spawned a multinational that's taking on global giants in Africa*. <http://qz.com/192010/afghanistan-just-spawned-a-multinational-thats-taking-on-global-giants-in-africa/> , accessed 01 September 2015.
- Rajagopalan, N.; Rasheed, A. & Datta, D. (1993). Strategic decision processes: critical review and future directions, *Journal of Management*, Summer-Issue, 349-384.

Rugman, A.M.; Verbeke, A. (2007). *Internalization Theory and its Impact on the Field of International Business*. 4 Editor(s): Jean J. Boddewyn ISBN: 978-0-7623-1470-6 eISBN: 978-1-84950-550-5. Available online: http://www.henley.reading.ac.uk/web/files/management/mgmt_a_rugman_internalizationtheoryanditsimpacton.pdf. Accessed 22.01.2012

Rynecki, S. (2013). The Future of Mobile Money in Afghanistan, USAID, <https://blog.usaid.gov/2013/05/the-future-of-mobile-money-in-afghanistan/>, accessed 25 September 2015.

Sahayma, A., Trevino, L. & Steensma, S. (2012). The influence of managerial discretion, innovation and uncertainty on export intensity: A real options perspective. *International Business Review*, in press.

Sanchez-Peinado, E. & Pla-Barber, J. (2006). A multidimensional concept of uncertainty and its influence on the entry mode choice: An empirical analysis in the service sector. *International Business Review*, 15(3), 215–232.

Santangelo, G. & Meyer, K. (2011). Extending the internationalization process model: Increases and decreases of MNE commitment in emerging economies, *Journal of International Business Studies* 42, 894-909.

Silverman, D. (1985). *Qualitative methodology and sociology: Describing the social world*. Aldershot: Gower.

Slangena, A. & Van Tulderb, R. (2009) Cultural distance, political risk, or governance quality? Towards a more accurate conceptualization and measurement of external uncertainty in foreign entry mode research, *Multinational Enterprises and the Internationalisation Process*, *International Business Review*, 18 (3), 276–291.

Song, J. & Shin, J. (2008). The paradox of technological capabilities: a study of knowledge sourcing from host countries of overseas R&D operations, *Journal of International Business Studies*, 39 (2), 291-303.

Strauss, A. & Corbin, J. (1998). *Basics of qualitative research*. London: SAGE Publications.

Suddaby, R. (2006). From the Editors: What grounded theory is not. *Academy of Management Journal*, 49(4), 633-642.

Suder, G. (2006). Location decisions, or: modelling operational risk management under international terrorism. In G. Suder (Ed.), *Corporate Strategies under International Terrorism and Adversity*. Cheltenham, UK: Edward Elgar.

Suder, G. & Czinkota, M. R. (2005). Towards an understanding of terrorism risk in the MNE. *Multinational Business Review*, 13(3), 3-23.

Taleb, N. (2007). Black Swans and the Domains of Statistics. *The American Statistician*, 61(3), 198-200.

Teece, D., Pisano, G. & Shuen, A. (1997). Dynamic Capabilities and Strategic Management, *Strategic Management Journal*, 18(7), 509-533.

Tong, T.. & Li, J. (2008). Real option and MNE strategies in Asia Pacific, *Asia Pacific Journal Management*, Vol. 25(1), 153-169.

Transparency International (2008) and (2010) *Corruptions Perceptions Index* (CPI); http://www.transparency.org/policy_research/surveys_indices/cpi/2007; February 14 2008 and 20 December 2010.

United Nations Conference on Trade Development (UNCTAD) (2011). World Investment Report 2011: Non-equity modes of international production and development, *United Nations*, New York and Geneva.

Van Maanen, J. (1979). The fact of fiction in organizational ethnography. *Administrative Science Quarterly*, 24, 539-550.

Veran, A. & Suder, G. (2010-2012), *Personal Interviews of Monaco Telecom's Director General by G. Suder*. Working paper notes, SKEMA Business School, Sophia Antipolis. Unpublished.

Verbeke, A. (2003). The Evolutionary View of the MNE and the Future of Internalization Theory; *Journal of International Business Studies*, 34, 498-504.

Verbeke, A. & Kano, L. (2012). An internalization theory rationale for MNE regional strategy, *Multinational Business Review*, 20(2), 135 - 152.

Volberda, H. & Lewin, A. (2003). Guest editors' introduction: Co-evolutionary dynamics within and between firms: From evolution to co-evolution. *Journal of Management Studies*, 40(8), 2111–2136.

Welt, L. G. B. (1986). Executive travel: A guide to self-preservation. *Management Review*, 75(11), 24-25.

Wirtz, B., Mathieu, A. & Shilke, O. (2007). Strategy in high-velocity environments, *Long Range Planning*, 40(3), 295-313.

World Bank, (2008) & (2012). *Doing Business*; <http://www.doingbusiness.org/ExploreEconomies/?economyid=2>; February 14, 2008 and <http://www.doingbusiness.org/data/exploreconomies/afghanistan/>; September 16, 2012.

World Bank (2008). *Worldwide Governance Indicators*; http://info.worldbank.org/governance/wgi2007/sc_chart.asp; February 14, 2008.

World Bank (2012). *Afghanistan Country Overview 2012*; <http://www.worldbank.org.af/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/AFGHANISTANEXTN/0,,contentMDK:20154015~menuPK:305992~pagePK:141137~piPK:141127~theSitePK:305985,00.html>, September 01, 2012.

Yin, R. (2003). *Case study research: Design and methods*. London: SAGE Publications.

Zahra, S. A., & George, G. (2002). Absorptive capacity: A review, reconceptualization, and extension. *Academy of Management Review*, 27(2), 185–203.

Appendix 1: Coding Structure and response distribution

Codes	Sources	Percentage	Passages
Challenges			
<ul style="list-style-type: none"> • Lack of development 	11	100%	39
<ul style="list-style-type: none"> ○ Corruption and fraud 	7	64%	8
<ul style="list-style-type: none"> ○ Lack of skills (due to poorly educated workforce) 	10	91%	19
<ul style="list-style-type: none"> ○ Unpredictable government 	3	27%	3
<ul style="list-style-type: none"> ○ Unskilled government 	3	27%	3
<ul style="list-style-type: none"> ○ Weak infrastructure (e.g. roads, media) 	7	64%	7
<ul style="list-style-type: none"> ○ Weak rule of law (->power more important) 	4	36%	4
<ul style="list-style-type: none"> • Lack of security 	10	91%	45
<ul style="list-style-type: none"> ○ Difficult to recruit expats (given dangers) 	3	27%	4
<ul style="list-style-type: none"> ○ Government weak outside of Kabul 	4	36%	4
<ul style="list-style-type: none"> ○ High security costs to be able to operate 	1	9%	1
<ul style="list-style-type: none"> ○ Limited personal freedom to move around 	5	45%	7
<ul style="list-style-type: none"> ○ Personal danger 	7	64%	27
<ul style="list-style-type: none"> ▪ Dangerous to enter certain regions 	1	9%	1
<ul style="list-style-type: none"> ▪ Risk of robbery, kidnapping and murder 	5	45%	13
<ul style="list-style-type: none"> ▪ Frequent bomb and rocket attacks 	4	36%	9
<ul style="list-style-type: none"> ▪ Dangerous to be hard on local staff 	1	9%	1
<ul style="list-style-type: none"> ▪ Risks of operating in a war country 	2	18%	5
<ul style="list-style-type: none"> ○ Pressure from family at home to leave 	4	36%	6
<ul style="list-style-type: none"> ○ Supply chain limitations (many supplier don't want to come to Afghanistan) 	1	9%	1

Codes	Sources	Percentage	Passages
-------	---------	------------	----------

Managerial responses			
<ul style="list-style-type: none"> • Lack of development 	11	100%	60
<ul style="list-style-type: none"> ○ Build infrastructure to be able to operate 	3	27%	6
<ul style="list-style-type: none"> ○ Build powerful relationships to get things done 	4	36%	4
<ul style="list-style-type: none"> ○ Educate and train 	10	91%	30
<ul style="list-style-type: none"> ▪ Train and develop people 	10	91%	23
<ul style="list-style-type: none"> ▪ Educate the government 	2	18%	3
<ul style="list-style-type: none"> ▪ Educate suppliers 	2	18%	4
<ul style="list-style-type: none"> ▪ Educate customers 	1	9%	1
<ul style="list-style-type: none"> ○ Hire staff for attitude (rather than skills) 	6	55%	9
<ul style="list-style-type: none"> ○ Offer good compound facilities to simplify life 	1	9%	1
<ul style="list-style-type: none"> ○ Have patience and build in buffers (need slack) 	5	45%	10
<ul style="list-style-type: none"> ○ Raise the standards 	7	64%	13
<ul style="list-style-type: none"> ▪ Set high standards despite conditions 	2	18%	4
<ul style="list-style-type: none"> ▪ Provide clear guidelines to staff 	3	27%	4
<ul style="list-style-type: none"> ▪ Relentless follow-up to get things done 	2	18%	2
<ul style="list-style-type: none"> ▪ Zero tolerance for corruption 	5	45%	7

Codes	Sources	Percentage	Passages
Managerial responses			
<ul style="list-style-type: none"> • Lack of security 	10	91%	49
<ul style="list-style-type: none"> ○ Ensure adequate security measures 	7	64%	19
<ul style="list-style-type: none"> ▪ Need guards and security 	1	9%	7
<ul style="list-style-type: none"> ▪ Good communications system vital 	3	27%	4
<ul style="list-style-type: none"> ▪ Important with good compound facilities 	6	55%	7
<ul style="list-style-type: none"> ▪ Quick response unit to reach out 	1	9%	1
<ul style="list-style-type: none"> ▪ Regular security status briefings 	1	9%	1
<ul style="list-style-type: none"> ▪ Travel with security detail when needed 	1	9%	3
<ul style="list-style-type: none"> ○ Adopt the right mindset 	3	27%	4
<ul style="list-style-type: none"> ▪ Adapt to changing circumstances 	1	9%	1
<ul style="list-style-type: none"> ▪ Be prepared to leave 	1	9%	1
<ul style="list-style-type: none"> ▪ Stay alert (rather than be complacent) 	2	18%	2
<ul style="list-style-type: none"> ○ Go local 	5	45%	12
<ul style="list-style-type: none"> ▪ Blend in with locals as much as possible 	3	27%	3
<ul style="list-style-type: none"> ▪ Hire people from local tribe 	2	18%	2
<ul style="list-style-type: none"> ▪ Show value to local community 	2	18%	2
<ul style="list-style-type: none"> ▪ Travel low profile when possible 	3	27%	6
<ul style="list-style-type: none"> ▪ Travel together with local people 	2	18%	2
<ul style="list-style-type: none"> ○ Follow security rules 	5	45%	15
<ul style="list-style-type: none"> ▪ Always check first with security 	1	9%	1
<ul style="list-style-type: none"> ▪ Avoid crowded places 	1	9%	1
<ul style="list-style-type: none"> ▪ Avoid dangerous regions 	2	18%	2
<ul style="list-style-type: none"> ▪ Avoid UN and military convoys 	2	18%	4

▪ Don't travel after dark	1	9%	2
▪ Don't walk on streets (for foreigners)	1	9%	1
▪ Follow security rules	3	27%	4
▪ Never travel alone	1	9%	1
▪ Women should always wear headscarf	1	9%	1
○ Need to relax (anyway)	6	55%	13
▪ Allow senior managers to work off-site	2	18%	2
▪ Occasionally go out in town despite risks	3	27%	3
▪ Hire mature people who can relax	1	9%	1
▪ Need to make friends locally for support	3	27%	4
▪ Offer regular free travel home	5	45%	5
▪ Stay in frequent contact with family	2	18%	2