

RETAIL INTERNATIONALIZATION AND THE ROLE OF KNOWLEDGE SHARING – THE CASE OF IKEA'S EXPANSION INTO THE RUSSIAN MARKET

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Abstract

Research on the internationalisation process and retail internationalisation acknowledges the relevance of knowledge management and organizational learning, even though there is a lack of discussion about the specific constructs and approaches. The central role of knowledge sharing in the internationalisation process is rarely stressed. The aim of this paper therefore is to stress the importance of a more critical discussion about knowledge in theories about internationalisation and to develop a tentative framework for knowledge and knowledge sharing based upon previous literature about knowledge sharing and the internationalization process (Johanson & Vahlne, 1977, 1990). The theoretical approach is then used to discuss and analyse the case of IKEA's entry to the Russian market. The purpose of this research should be regarded as explorative - in order to increase our understanding on whether and how general internationalisation theories can be applied within retailing and on the role of knowledge and knowledge sharing.

Keywords: knowledge; knowledge sharing; the internationalization process model; retail internationalization; IKEA; Russia

Suggested track: Knowledge sharing within and across organizations and cultures

1 Introduction

The retail sector has become more and more international in its outlook and operations (McGoldrick, 2002). Furthermore, internationalization of retailers is often argued to be particularly challenging and complex, especially when compared to manufacturing. Retailers normally need to develop and manage a set of stores on the new market, and thus cannot use a traditional exporting strategy. This will involve the recruitment and education of staff, development of property, contacts with local and national institutional actors, etc. Consequently, the need to develop a strategy for how to share knowledge should be especially crucial for retailers. Still, there is a dearth of research on the role

of knowledge and knowledge sharing as a retailer enters new markets. Researchers focusing specifically on retail internationalisation (e.g. Dawson, 2000, 2003; Doherty, 1999) have expressed the importance of looking into theories about knowledge and learning. Dawson (2003) argues that whilst research has shown that knowledge sharing does occur, research has not focused upon how it occurs, and the latter is a precondition for fully understanding its impact on retail internationalisation.

One of the most cited internationalisation models was developed by Johanson and Vahlne (1977, 1990). It is often referred to as the internationalisation process model, sometimes as the learning approach since knowledge is the centrepiece of the model (Fletcher, 2001). However, the model has been questioned for only emphasizing experiential knowledge, i.e. one out of several *types* of knowledge, and for not explaining the mechanisms for *how* to share knowledge (Blomstermo & Sharma, 2003; Forsgren, 2002; Petersen et al, 2003). Nevertheless, McGoldrick (2002) argues that the ideas about knowledge stemming from the internationalisation process model would be interesting to develop for the retail sector. The patterns for how retailers expand into new markets also seem to fit with the ideas of the internationalisation process model (Alexander, 1997; McGoldrick, 2002; Vida & Fairhurst, 1998, Vida & Reardon, 2000). A first attempt to incorporate the ideas of the internationalisation process model into retailing was made by Vida and Fairhurst (1998). Vida and Reardon (2000) further develop their approach by relating the internationalisation process model to the stages model for internationalisation (Cavusgil, 1980). Their study supports the relevance of such an approach even though more empirical data is needed.

While some retail researchers argue that it is possible to adopt general internationalization theories more or less fully to retailing (Sternquist, 1997) or at least to apply them to some extent (Vida & Fairhurst, 1998; Vida & Reardon, 2000) some argue that it is less desirable to apply these since they were developed in relation to manufacturing firms (e.g. Alexander & Myers, 2000; Dawson, 1994). Organizational differences between manufacturing and retailing firms are thus argued to hinder the application of international business paradigms and by applying these models the specific requirements of retailing may be neglected. However, Dawson (2003) acknowledges that research outside the retail sector may have a great potential to provide new insights into knowledge creating and sharing in international retail firms, but that it has to be applied with care. This suggests that only by further studying the phenomenon empirically within a retail setting it is possible to evaluate the role of general theory as well as to increase our understanding of the nature of knowledge and

knowledge sharing in the process of retail internationalisation. All in all, there is little empirical data on knowledge and knowledge sharing during the process of retail internationalisation and in-depth studies of internationally active retail firms may be a first step towards a better understanding of this issue.

The aim of this paper is therefore to develop a tentative framework for knowledge and knowledge sharing based upon previous literature about knowledge sharing and the internationalization process (Johanson & Vahlne, 1977, 1990). The theoretical approach is then used to discuss and analyse the case of IKEA's entry to the Russian market, in order to identify critical aspects and factors with a specific relevance to knowledge and knowledge sharing in international retailing. The purpose of the research should thus be regarded as mainly explorative - in order to increase our understanding on both how general theory can be applied within retailing and on the role of knowledge and knowledge sharing as a major retailer enters a new market.

The following section will further discuss the basic ideas and recent developments in theories on retail internationalisation and the internationalisation process model (Johanson & Vahlne, 1977, 1990). It also discusses theories on knowledge and knowledge sharing in relation to theories on internationalisation. The empirical case study of IKEA will then be presented, based on the constructs discussed in the theoretical part. Finally, some tentative conclusions and implications for future research will be presented.

2 Theories on knowledge and firm internationalization

Retailing is more complex and different from manufacturing in several aspects (Dawson, 2000; Elg, 2003; Helfferich et al, 1997; McGoldrick, 2002), e.g. its responsiveness to local culture, the dispersed nature of operations, the large number of products and services offered and the large extent of network activities. Retailing involves direct contact with the end-consumer, which requires effective research procedures and information systems in order to understand the consumer. Retailers also offer a complex mix of products and services in order to meet the consumers varying and changing needs and wants.

According to Alexander and Myers (2000) there is a danger in adopting general internationalisation theories since the great amount of research about international retailing may be neglected and it may restrict the development of a more applicable framework. Dawson (1994) argues that it may be possible to borrow some concepts

from (industrial) internationalisation theory but that it is unlikely to apply it directly to the retail industry because the structure, the process and behaviour are different from manufacturing firms.

However, Dawson (2003) argues that questions about why, where and how retailers enter new markets have been in focus in research about retail internationalisation but that there is still much to develop. The question about *how* is very much linked to the question of how knowledge is shared when a retail organization expands and enters new markets. Furthermore, it is argued that retailing should not be viewed in isolation; *“Research outside the retail sector (Nonaka et al, 2002a,b) has the potential to provide new insights on international retailing in respect of this knowledge creating and transfer in multinational firms. These processes of knowledge management are likely to be important in influencing the extent of improvement in performance as the firm develops internationally.”* (Dawson, 2003: 202).

There are thus a number of different views on whether it is possible to adopt or adapt general theories about internationalisation or not to retailing. This stresses the need of additional empirical research on knowledge and knowledge sharing in the retail internationalisation process.

The Johanson and Vahlne model is one of the most cited general internationalisation frameworks. Based on earlier theories of the firm (Aharoni 1966; Cyert and March 1963; Penrose 1959) it assumes that a company does not have full access to information and that internationalisation is a process of increasing experiential knowledge. It views the internationalisation process of a firm as interplay between knowledge development and increasing foreign market commitment. The model has a potential to provide valuable insights into what kind of knowledge that is relevant for internationalisation. It has been empirically tested in many different studies, but lately it has been criticised for being obsolete, too simplistic and for not really developing the ideas about learning. Several researchers have stressed the need for additional research and a more in depth understanding of the knowledge construct. Blomstermo and Sharma (2003) as well as Eriksson et al, (1997) argue that there is a need for more research on the nature of knowledge and how it is shared. Petersen et al (2003) argue that theories about knowledge as well as the economy and society have change considerably since 1977 and that the knowledge concept used in the model must therefore be challenged. They also argue that we need more empirical insight into the kind of knowledge useful in the learning process and how knowledge is accumulated. It

is possible that the failure in adopting general theories about internationalization to a retailing context may be a result from the confusion in relation to what is meant by knowledge and learning. In such case it is possible that this research could lead not only to a better understanding of retail internationalisation but also the internationalisation process model (Johanson & Vahlne, 1977, 1990).

In accordance with this, my paper investigates the types of knowledge that a retailer relies upon when entering a new market and if different types of knowledge are emphasised in different phases of the internationalisation process. In Johanson & Vahlne's original internationalisation process model (1977) *market knowledge* is used as to explain knowledge about the foreign market. It also makes the distinction that *objective market knowledge* is something that can be taught whereas *experiential market knowledge* is something that only can be learnt through personal experience. This view can be linked to the discussion about explicit vs. tacit knowledge and the different methods for sharing these kinds of knowledge (Polanyi, 1967; Nonaka, 1991). Furthermore, a distinction is made between general knowledge and market-specific knowledge. *General knowledge* is defined as certain marketing methods and common characteristics of certain types of customers. *Market-specific knowledge* is defined as knowledge about characteristics of the specific market and specific individual customer. Eriksson et al (1997:343) extend the knowledge concept by separating internationalization knowledge, institutional knowledge and business knowledge. *Internationalisation knowledge* is defined as experiential knowledge about the firm's capabilities and resources to expand on new markets. Furthermore, experiential foreign market knowledge pertains *business knowledge*, i.e. knowledge about customers, the market and competitors, and *institutional knowledge*, i.e. knowledge of government, institutional framework, rules, norms and values.

Vida and Reardon (2000:3-6) adapt the knowledge concept derived from the internationalisation process model to a retail context. In their study *international knowledge* refers to the strategic management team's information-seeking behaviour. *Experiential knowledge* refers to the strategic management team's international competence and the firm's prior experience in the international resource seeking involvement. Except from the study by Vida and Reardon (2000) retail internationalisation research does not discuss knowledge to a great extent. However, recently Dawson (2003) argued that knowledge might be categorized in many different ways in the retail internationalisation process, focusing upon four types of knowledge; *Experiential knowledge* is personal knowledge gained through experience of entering a

new market. *Routine knowledge* is knowledge about the organizational routines and firm-specific know-how. *Conceptual knowledge* is knowledge that result from the organization's concepts and brands. *Systematic knowledge* is codified knowledge, which can be found in operating manuals, which are very common for retailing. Following these types of knowledge used for retailing it appears relevant to further investigate whether there are certain knowledge needs that are specific for retailers, and what the implications are with regards to retail internationalization.

A problematic aspect is that many different definitions are used and thus certain confusion with regards to the knowledge construct. Having focused on the knowledge concept in literature about retail internationalisation and internationalisation I find it problematic that there are so many definitions used (sometimes describing the same kind of knowledge). I also find it problematic that sometimes there is a lack of definitions, meaning that it is not clear what is meant by knowledge. A key point here is to separate data from information and information from knowledge in order to understand the learning aspects in theories about internationalisation. It appears that internationalisation research sometimes uses the term knowledge when actually referring to information or data, and does not discuss how information is shared within the organization or the impact of that information on the internationalisation process. However, the knowledge management literature makes a distinction between data, information and knowledge (Davenport & Prusak, 1998; De Long & Fahey, 2000) in viewing data as facts, images or sounds that may influence a particular task, information as data appropriate for a particular use, and knowledge as a combination of instincts, ideas, rules and procedures that guide actions and decisions. This study focuses upon *knowledge* that will guide actions and decisions in the internationalization process rather than upon pure information or data.

As demonstrated above, knowledge is not an easy concept to define. Synthesising the many definitions of knowledge used in the internationalisation process model (Johanson & Vahlne, 1977, 1990), the extended versions of it, and the ones used in theories about retail internationalisation (Dawson, 2003; Vida & Reardon, 2000) has lead to the following tentative types of knowledge, which are defined accordingly: i) **market knowledge** about the new market (knowledge about customers, competitors, suppliers, authorities etc), ii) **internationalisation knowledge** - i.e. general knowledge stemming from the experience of entering or expanding on new markets, iii) **corporate knowledge** about corporate goals and strategies, organizational culture and organizational routines and know-how about the organization.

Research on the internationalisation process and retail internationalisation thus acknowledges to an extent the relevance of knowledge management and organizational learning, even though there is a lack of discussion about the specific constructs and approaches that would be most fruitful. I believe that it is important to stress that the lack of such discussion may have consequence when reading about knowledge and internationalization and that this may lead to many misinterpretations of presented research on this topic. However, the discussion about organisational learning and knowledge management has been rather diverse. Instead of looking into synergies with the two theories researchers seem to have ended up in a discussion about definitions and demarcations (Salk & Simonin, 2003; Vera and Crossan, 2003). This is especially evident when reading specifically about knowledge sharing.

Furthermore, the central role of knowledge sharing in the internationalisation process is rarely stressed in research on the internationalisation process and retail internationalisation. Knowledge sharing can be seen as the first and initial step towards learning during the internationalization process. It can be expected to become especially central when managing the complexity of retail internationalization. Knowledge sharing is based on the idea that tacit as well as explicit knowledge, "is capable of being disseminated, transferred, diffused, shared and distributed within and between organizations, communities of practices and departments" (Kalling & Styhre, 2003:57). Furthermore, the characteristics of knowledge - being tacit, complex or ambiguous - affect knowledge sharing (Nonaka, 1991). It is clear that explicit knowledge is more easily sharable than tacit knowledge. Experience sharing, the fundamental source of tacit knowledge, is a key to be able to build mutual trust. Through a continuous dialogue tacit knowledge may be articulated to explicit knowledge. Further, the recipient's absorptive capacity, the sender's motivation and the distance between sender and receiver also influence the processes.

In their literature review Kalling and Styhre (2003) find that knowledge sharing theory rests upon theories emphasising the nature of shared knowledge, the cognitive abilities of those who receives knowledge and the organizational and social context where transfer occurs. They further argue that knowledge sharing can be studied based upon i) the *different organizational levels* where it occurs, ii) the *tools and mechanisms* for knowledge sharing, and iii) *factors enabling and hindering* knowledge sharing. Empirical studies of the process of knowledge sharing have focused on what part of the organization that is involved in knowledge sharing, e.g. communities of practice, teams, departments and networks; tools and mechanisms for knowledge sharing such as

intranet and knowledge brokers; and different conceptual frameworks focusing on establishing a theory about what enables or hinders knowledge sharing, e.g. cultural barriers, motivation and tacit knowledge. It is important to understand that there is a difference in perspectives within knowledge management and organizational learning and that researchers therefore tend to focus on different aspects of knowledge sharing.

Drawing upon the aspects stressed by Kalling and Styhre (2003) and the insights concerning different types of knowledge discussed, the paper continues by analysing the role of knowledge during the different phases of IKEA's entry to the Russian market.

3 IKEA'S entry to Russia

This research is based on a single case study design focusing upon IKEA's expansion into the Russian market. IKEA is a leading home furnishing company with 202 stores in 32 countries (<http://www.ikea-group.ikea.com/corporate>). Of these stores, 180 stores belong to the IKEA Group with more than 84 000 employees. The remaining 22 stores are owned and run by franchisees outside the IKEA Group. Sales for the IKEA Group for the financial year 2004 (1 September 2003 – 31 August 2004) totalled 12.8 billion euro (15.5 billion USD). The first store outside Scandinavia opened in 1973 outside Zurich, Switzerland. In 1974 the first German IKEA store was opened. Germany is today IKEAs top selling country followed by the United Kingdom, the USA, France and Sweden. In 2005 the IKEA Group plans to open 17 new stores in nine different countries.

The company was founded by Ingvar Kamprad in 1943 and is today owned by a foundation, the Stichting INGKA Foundation. INGKA Holding B.V. is the ultimate parent company for all IKEA Group companies, including the industrial group Swedwood, which manufactures IKEA furniture, the sales companies that run the stores, as well as purchasing and supply functions, and IKEA of Sweden, which is responsible for the design and development of products in the IKEA range. The range consists of approximately 10 000 articles. INGKA Holding BV is wholly owned by Stichting INGKA Foundation.

IKEA opened its first store in Moscow in March 2000. At present four IKEA stores operate in Russia, two in Moscow, one in St Petersburg and one in Kazan. Besides the IKEA stores, the company have opened two Mega Mall shopping centers in Moscow. IKEAs current expansion plan in Russia is to open two new stores as well as two new

mega malls a year in 13 different cities. IKEA Russia is organized somewhat differently from other IKEA countries. The Russian organization includes IKEA Retail, IKEA Trading, New product development, IKEA Property and IKEA Distribution. Furthermore, a special project organization responsible for the future expansion is part of the Russian organization.

IKEA may be regarded as a unique and critical case, which makes it especially suitable (Yin, 1984). IKEA is the biggest global furniture retail company, a foundation that enables IKEA to grow in its own pace. The fact that the expansion strategy is based on a standardised retail offer with an ability to adapt to different cultural settings and to use previous experiences and insights in order to support their entry to new markets, further makes it an interesting case to study. The research approach was to generate insights about the kind of knowledge found important for IKEA's entrance and expansion on the Russian market and how this knowledge is shared. The empirical data consists of 24 in-depth interviews with people from different parts of the Russian organization in Moscow. Interviewees were selected in order to provide a broad representation of the organization, encompassing country, marketing and store managers as well as employees responsible for certain product categories in the store. The interviews were of a semi-structured character, lasting between 90 and 120 minutes. They were not based on specific questions about knowledge sharing, but on a more open discussion about IKEA's entrance and expansion on the Russian market. As knowledge sharing appeared in the interviews, follow-up questions were asked in order to capture the meaning of knowledge sharing as a concept and how IKEA worked with these processes.

The empirical findings show that knowledge sharing is a recurrent theme when discussing key success factors to IKEA's expansion into the Russian market. However, the concept of knowledge sharing is sometimes used differently and the views on how to share and motivate employees to share knowledge vary. Knowledge sharing was, however, often described as part of the IKEA culture. This will be discussed in more detail below, but first the focus will be upon the types of knowledge that is highlighted and shared in different phases of the internationalisation process. In the performed interviews it becomes evident that the knowledge needs vary in the different phases of the internationalisation process.

1.1. The types of knowledge emphasized in the three phases of the internationalization process

During the phase of **selecting and preparing to enter** the Russian market, most respondents regarded information about Russian market and particularly Russian customers to have a limited role. The reason for selecting and entering the Russian market was very much related to Ingvar Kamprad's vision, and since a lot of people live in Moscow at least one store was considered most likely to succeed without any survey giving that type of information. Concerning a specific strategy for how to enter the market, IKEA's view is that it is better to first live and learn about the new market and then to set the strategies. It is argued that to set up a new business is very little theory and very much practice. Once the decision was made to enter the Russian market IKEA specialists were sent to Russia to do market research. However, according to the country manager the information about the Russian market was very limited and not very good. For example, one advice that was given was that the IKEA store must be situated near a Metro-station since there were hardly any cars in Moscow. Five years later traffic jams is one of Moscow's major problems. It was argued that instead of relying on information about the market it is better to acquire *market knowledge* through market presence and company specific experiences based on active learning. In the words of the distribution manager with many years of international IKEA experience, IKEA's view is that it is important to learn about the market in an active manner that enables the company to perceive it through the eyes of the local consumers.

Internationalisation knowledge was thus viewed as more important than market information when preparing to enter. In order to get that experience the Russian country manager recruited people with substantial IKEA experiences from other market entries, including several very experienced senior managers who had previously worked on other markets around the world. This move can in itself be regarded as a consequence of previously acquired internationalisation knowledge. When setting up the Chinese IKEA organization "young potentials" (persons recruited from the universities and believed to be future IKEA-leaders), were recruited. Based upon the view of representatives of the Russian organization this was a reason why the entry into China met some problems and why the growth was slower than expected. It is held that experience of earlier mistakes and the ambition to do something better next time is one of the characteristics that make IKEA Russia successful. The personal experiences from entering the Hungarian market also pushed the country manager to try to make it better and not make the same mistakes again, and for recruiting a management team with substantial IKEA experience. As the country manager

expresses it; “If we are going to build a good IKEA then we can only do it with people who know what IKEA is. A very common IKEA-way to think is to be cost saving. We shall be cost saving, but that would be to save in the wrong end. Because if you try to build something with a few people that have IKEA experience and the reason for having foreigners here is for the simple reason that there are no Russians with IKEA experience. So it has nothing to do with passports but rather the IKEA experience. And these foreigners are the guarantee for us to make an IKEA with high quality.”

It was, however, necessary to develop a specific type of *market knowledge* concerning the macro-environment in order to prepare the entrance. Information about laws and regulations obviously played a critical role in preparing and investigating the possibility to enter and finding an attractive store location. The property manager explains that this process was and still is very time-consuming since you need to understand the different laws and regulations, locate the people responsible for given the permission to rent and build etc. In order to develop this market knowledge long term personal contacts are considered important. Normally it is the property manager together with the country manager that takes the initial contacts. Here, it is not only important to have market knowledge, however, but also *internationalisation knowledge* that prepares the company representatives, provides them with the patience required for such time-consuming processes as to get a lease for land in Russia and enables them to identify the critical local actors to whom relationships need to be developed.

In order to be able to manage **the first critical years** it was important that IKEA could start its operations immediately. When recruiting people to Russia the country manager was looking for enthusiastic people to go to Russia and to share their IKEA *corporate knowledge*. The “old entrepreneurs” within IKEA that have been responsible for earlier expansions were thus employed for two reasons, one being their *internationalization knowledge* discussed earlier. A second reason was to teach Russian employees how to manage according to the IKEA way rather than the traditional the Russian way. Sharing corporate knowledge was prioritised to market knowledge at this stage. After the senior management had been recruited a group of 34 young, well-educated Russians were recruited. IKEA was looking for young people with an open, and ambitious attitude. Recruiting and educating a core group of Russians enabled IKEA to bring local *market knowledge* into the organization. This group was sent to other IKEA markets in order to get *corporate knowledge* through training and through their own experiences. The country manager saw this as the core group and a real key success factor for IKEA in Russia. One of the group’s first tasks was then to recruit 450

employees to the first IKEA store in Russia and members of this are likely to be take over the responsibility for the Russian organization when the expatriates leave.

A combination of *internationalisation knowledge* and *corporate knowledge* was thus considered as a basis for the first critical years. However, traditional *market knowledge*, such as information about income, buying power, local preferences and perceptions, also became more important at this stage in order for IKEA to adjust the marketing of their retail proposition to local conditions. This information was collected through different surveys conducted by IKEA as well as by externally bought information. It was further argued that by employing local people market knowledge was acquired. In accordance with the general, global IKEA strategy adaptations would only concern the product range to a very limited degree. Rather, IKEA adapted their strategies for promotion, communication and how to present the product range in the stores to local characteristics.

Developing the Russian distribution system was also a crucial task for the Russian IKEA organization. The very high import duties pressured the Russian organization to look for alternative ways for how to get goods to Russia. It was argued that by facing these problems the real IKEA spirit evolved, i.e. being an entrepreneur always looking for better solutions. Here, *market knowledge* about laws and regulations about tariffs and import duties was needed and establishing long-term personal contacts on the local market was a key factor in getting this market knowledge. In order to be able to manage this part of the Russian organization a distribution manager with great earlier experience was recruited to Russia. Again, *internationalisation knowledge* was considered as very important in order to be able to manage the first critical years.

Trading is also an important part of the organization, since by producing more locally it is possible for IKEA to offer low prices to the Russian consumers. A special new product development organization has also been developed for Russia with the purpose to adapt products from the IKEA Range to the Russian market. *Corporate knowledge* was considered as very important since being able to develop new products for the Russian market it is crucial to have earlier experience of product development at IKEA. *Market knowledge* was also very important when trying to find good suppliers that can offer the lowest price and to understand the Russian preferences and how products can be adapted to the local market.

Knowledge required for further expansion will be required because of IKEAs rather intense expansion strategy. Less can be said about this phase since it is still in an early stage. A project team is, however, responsible for the expansion - for finding relevant cities of location, get permissions, build a store and recruit and educate new IKEA co-workers - but it is still the country manager that sets the frames for the expansion emphasising based on his substantial previous internationalisation knowledge. It was considered important to share IKEA corporate knowledge since local knowledge about how to run an IKEA store the IKEA way is rather low. *Market knowledge* combined with *internationalization knowledge* and *corporate knowledge* was thus still important for the further expansion. A first critical test of IKEA's expansion strategy is the Kazan store. This city is very different western conditions and even from Moscow and St Petersburg. It will put IKEA's learning processes and ability to position its retail proposition on a culturally different and difficult market to a test.

1.2. Knowledge sharing within IKEA

The following section follows the theoretical framework presented by Kalling and Styhre (2003) for how to share knowledge within an organization. Knowledge sharing in different phases of the expansion process was found to take place on **different organizational levels**. Knowledge sharing was described as one of the key success factors for IKEAs expansion on the Russian market. Furthermore, it was found that the knowledge need, i.e. the knowledge types, varied between different parts of the Russian organization. One crucial part was the knowledge sharing within the Russian organization and between Retail, Trading, Distribution, Property and the Project organization. New product development is a good example because it significantly stressed the need to share knowledge from Trading and Sales. Involving the store level in knowledge sharing was, however, also stressed. This includes sharing within and between different levels in the store organization but also processes for knowledge sharing between the store and the country management level. At a more aggregated level, knowledge sharing between the corporate level at IKEA Russia and other IKEA markets was also stressed. As discussed earlier, knowledge sharing between expatriates and local employees is another critical dimension that should not be overlooked. A part of the expatriates' job is to share knowledge with locals while the latter are expected to bring market knowledge into the organization.

When discussing **tools and mechanisms for knowledge sharing** varying answers were given. Much emphasis was on communication between individuals and on

training, but the tools and mechanisms were used slightly differently at different organizational levels. The use of intranet was for example mostly used at corporate level and to some extent by the management team in the store. The HR Manager argued that knowledge sharing is all about employing the right people, who share the IKEA corporate culture. Knowledge sharing was also integrated into the career path at IKEA, as employees are promoted and rewarded based on their ability to share knowledge. Employees are stimulated to seek positions within different parts of the organization in order to get a broad knowledge rather than a narrow and specialized one. According to the HR manager IT could be a supportive tool but was much less important for knowledge sharing than corporate culture. Corporate knowledge was shared through training by experienced IKEA people and by manuals and intranet. Best practices for how to run IKEA business are shared by these tools. Best practices are collected by employees at corporate level in all IKEA countries and then distributed by Inter IKEA Systems. Emphasis was also put on personal tacit knowledge that needs to be shared by people and not by computers. Furthermore IT could not be used as the only tool for knowledge sharing since the majority of IKEA's employees, i.e. those working in the stores, do not have a personal computer. All employees had access to a computer, for example in the cafeteria, but very few used it. A computer was seen as a mechanical one-way communication, where it isn't possible to discuss and share experiences meaning that information is shared and not knowledge. It was argued that action learning is important, although documented information available on the intranet could be a supporting tool. Teamwork was also emphasised to be an important tool for knowledge sharing. For teamwork to be successful an open communication was considered as crucial.

At store level knowledge was shared mostly through personal contacts between the department head and the store manager. Some methods for knowledge sharing were formalized and routinized, such as weekly sales tours throughout the store together including the store manager, the department heads and the co-workers at each department, and co-workers sharing their knowledge about customers to the department head. At the department level knowledge was also shared through personal meetings and by documented information at the intranet. Store managers also shared information by actually visiting new stores to see the latest developments. As stressed before, formal training programmes was also an important mechanism in order to maintain a high growth rate in Russia. The special programmes provided by IKEA Service office in Moscow ran for two to six months. New co-workers were educated in

one of the two Moscow stores and knowledge was shared between existing co-workers and newly employed staff. Each new co-worker gets an introduction program for one week to know a little bit the IKEA organization, the culture, the history and rules of how IKEA work together and co-workers are expected to behave but also to do an on-job training. After this training these people are sent to work in a new IKEA store. Because the cost for labour in Russia is very low IKEA can afford to have two persons at the same positions at the same time. The ambition is to share knowledge and to teach new co-workers how the job works.

Also when asking questions about **the factors enabling and hindering knowledge sharing** within IKEA Russia there was no consensus. The marketing manager argued that being an open organization is a key factor for IKEA's ability to motivate the employees to share knowledge. An example of being an open organization was that very few rooms where it is possible to close the door exists. Another example of being an open organization was that all information about new project, vacancies, sales etc is provided at wallpapers and corporate newsletters. In order to be able to have an open IKEA it was argued that employees must not be afraid of making mistakes but rather to take their own initiatives and be problem solving. Another factor often stressed was that the IKEA employee should have a broad knowledge about the organization and understand the IKEA process. The career policy and reward mechanisms thus also stand out as an important driver of knowledge sharing, encouraging employees to step aside and try and learn new tasks and not to just move upwards in a linear way. Sharing knowledge this way being a part of the IKEA corporate culture was difficult to explain to local Russian employees. The traditional Russian management style encourages staff to keep knowledge to themselves and to become a specialist in order to have a successful career. Russians were not used to IKEA's open culture and this was reason for recruiting young local employees. Another problem facing the Russian organization is that local co-workers were well educated but less capable of transferring this to practice. That is why action learning together with experienced IKEA people, with great corporate knowledge, was seen as very important step in helping the Russian co-workers to transform their abstract knowledge to practice and to become independent. The method for recruiting and educating new co-workers in the store was considered as a good way to share knowledge, involving new employees being trained together by other, previously recruited, local employees.

The existing Russian organization included many expatriates. This can be seen both as a driver and a barrier of knowledge sharing. As discussed, the expatriates are expected

to share their corporate knowledge with local employees. Their presence and dominance may, however, also become a barrier to the local employees' learning and knowledge sharing. There is a concern within the organization that unless corporate IKEA knowledge is shared with local employees and future managers IKEA Russia will really be a Russian IKEA rather than a part of a global IKEA. *"When the expatriates leave it is necessary that it has grown under the tree because otherwise we will have a huge problem in Russia and we will lose a lot.[...] So that you really work with transferring your knowledge, to really share with others. You can't sit in a corner with all your knowledge and give orders without sharing – then there will be a vacuum when you leave."* (HR Manager)

4 Concluding discussion

This has been an explorative study on the role of knowledge and knowledge sharing in IKEA's expansion into the Russian market. One objective was to stress the importance of a more critical discussion about knowledge and learning in theories about internationalization. A second objective was to investigate whether an adapted and extended version of the internationalization process model (Johanson & Vahlne, 1977, 1990) is applicable to the retail industry and the relevance of the knowledge concept used in the model. No generalisations can be made based on this case study but it highlights certain critical aspects of knowledge sharing in a retail firm's foreign entry. From the interviews it is evident that knowledge sharing has an important role in the internationalisation process. It is also evident that there are different knowledge needs in different phases of the internationalisation process. In order to be able to apply the internationalisation process model (Johanson & Vahlne, 1977, 1990) additional types of knowledge should be added to the model.

Furthermore, in order to be able to understand the role of knowledge sharing it is important to extend the model to include how knowledge is shared since if this is not shown it would not be possible to speak of knowledge but rather information. Some aspects appeared as especially significant in the case study. Concerning the different levels, the need for interaction has been especially stressed, including the interplay between corporate level and country markets, between different country markets, etc. Another aspect is that it is crucial that general corporate and internationalization knowledge is systematically shared with staff on the new market. The case also highlights the relevance of knowledge sharing with employees in the store, who interact with customers on the new market. This discussion also touches upon the tools and

mechanisms for knowledge sharing. The empirical data stresses formal as well as informal mechanisms. For example, reward and promotion policies appear central in order to stimulate knowledge sharing, including to encourage employees to become familiar with different parts of the retail organization rather than to specialize in order to make a rapid, linear, career. The relevance of systematic recruitment and training for new employees on all levels from country management to store staff was also stressed, including the importance of encouraging interactions between old, experienced employees and local staff members on the new markets. In addition, the case highlights the role of having systematic mechanisms for sharing knowledge between different country markets. The role of IT was also stressed, but in the case of IKEA it appears to be rather limited at least in the earlier phases of the entry to the Russian market. Concerning barriers and drivers of knowledge sharing, different kinds of cultural aspects appear to be very central. For example, differences in management culture between the new market and the retail organization may be a significant obstacle. Still, the IKEA case also shows that these barriers can be overcome by recruiting younger staff members and by letting experienced senior managers have leading roles at the earlier stages of entry. On the other hand, established staff members may become an obstacle for knowledge sharing if their roles become too dominant. A scenario could therefore be where the young local staff cannot see their careers develop in the near future may also hinder knowledge sharing. The case also stresses the general country culture and the educational level of new employees. In Russia, formal education was at a rather high level, whereas the ability to transfer this into practice was a problem, as well as the fact that new employees were sometimes reluctant to take on responsibilities without consulting senior managers. Respect for senior managers and hierarchy may become an obstacle for knowledge sharing because it may make new employees less willing to ask questions and to share their own ideas.

This has been a first, explorative step towards an increased understanding of the role of knowledge and knowledge sharing in retail internationalization. As argued, there is a need for a more critical discussion about knowledge and learning in internationalisation theories. Obviously, the aspects stressed by this study need to be investigated in more detail. The research has also identified new areas of interest that should be explored, eg that knowledge sharing in international retailing may include suppliers as well as other external partners. Knowledge may be shared both within and between organizations. Forsgren (2002) argues that it is important to consider how knowledge is

shared between organizations in order to further develop the internationalisation process model. However, focus for this paper has been on knowledge sharing within the organization and interorganizational knowledge sharing needs. As an initial attempt to understand the processes for knowledge sharing in relation to internationalization issues it may be reasonable to only focus on interorganizational knowledge sharing. Eisenhardt and Santos (2003) argue that there are significant similarities between internal (within) and external (between) processes for knowledge sharing.

This study implies that there are differences between markets when it comes to the type, role and character of knowledge and the processes for knowledge sharing. For future research, one possibility could therefore be to further develop these ideas by studying and comparing different markets that IKEA has entered. The fact that IKEA chooses different strategies for organizing its business in different countries makes it interesting to look at IKEA as a research field and different country organizations as different cases. Another possibility is to analyse and compare the knowledge strategies of different types of retailers since it is likely that IKEA may be so specific being such a big retailer and a foundation allowing long-term strategies that other public retailers cannot have.

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Acknowledgements

I would like to thank Handelsbanken's research foundations for funding this study and the people of IKEA in Russia and at the head office for their help and contributions. Furthermore, I would like to thank my supervisor Associate Professor Ulf Elg who has contributed with many valuable comments when writing this paper.