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# How Do SMEs Decide on International Market Entry? An Empirical Examination in the Middle East

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## ABSTRACT

This study contributes to the scant literature that scrutinises the decision-making process preceding foreign entries, particularly in the Middle Eastern context. While considerable research has examined the content and antecedents of the internationalisation decision of firms, far less attention has been paid to how SMEs decide on international market entry. The answer to this question is important to advance our understanding of internationalisation processes and offer essential insights for first and successive market entries, particularly post political crises. Through an embedded approach to case study, the analysis of four SMEs based in Egypt and Qatar suggests that SMEs' decision-making evolves into a rational mode as SMEs progress through successive international market entries. The study also captures the co-existence of reactive and bounded rationality modes during SMEs' unplanned internationalisation and suggests that SMEs are likely to adopt a bounded rationality mode as a response to the occurrence of a political crisis in the home country.

## 1. Introduction

While some research suggests that small and medium-sized enterprises (SMEs) draw explicit causal links and apply rules to evaluate international opportunities (Sarasvathy et al., 2014; Kiss et al., 2020), other studies suggest that SMEs employ heuristics without choosing any possible end goals (Chandra, 2017; Petrou et al., 2020). The success of unplanned internationalisation through heuristics flags concerns about extrapolating to SMEs theories which were developed to explain decision-making in large organisations. Consequently, the current state of knowledge regarding SMEs decision-making is still embryonic, and it seems that the decision-making remains a 'black box' despite attempts to explore the topic (Child and Hsieh, 2014; Elbanna et al., 2020b).

Although the extant literature on SME internationalisation tries to expand current understanding on the antecedents and outcomes of internationalisation decisions, the focus has been skewed towards examining the content of the internationalisation decision rather than analysing how the decision is developed (Dash and Ranjan, 2019; Kiss et al., 2020). Furthermore, despite the existence of a large body of literature on SMEs internationalisation (see reviews by Jones et al., 2011; Terjesen et al., 2016; Kahiya, 2019; Morais and Ferreira, 2020), the investigation of SMEs specific decisions, such as international market entry remains limited (Ahi et al., 2017; Kiss et al., 2020). As Hennart and Slangen (2015, p. 119) note, 'We need to scrutinise the decision process preceding foreign entries.'

In response to this gap, Child and Hsieh (2014) offer a framework that synthesises different configurations of decision modes in the context of SMEs internationalisation. Following them, we refer to the decision-making mode as the 'method and logic used by

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managers in SMEs when analysing a decision to internationalise into a new market or to expand the scope of their existing international business' (Child and Hsieh, 2014, p. 599). Their framework is a 'model-theoretic perspective' that proposes modes for systematic empirical investigation and hence contributes towards analytic synthesis calls (Jones et al., 2011). This framework proposes four decision modes that differ in terms of the approach to planning, the application of decision rules and the consideration of alternatives. These are reactivity, incrementalism, bounded rationality, and Real Option Reasoning (ROR). These modes fall along a continuum, from being less rational to highly rational, and therefore offer specificity by proposing a precise conceptualisation and serve as an analytical framework for an empirical analysis. Firms that employ a reactive mode lack consistent strategies and are driven by situational demands (Kiss et al., 2020), while, incrementalism involves limited comparisons of actions and possibilities, and constitutes a process of muddling through (Lindblom, 1959; Puig et al., 2018). Compared to incrementalism, bounded rationality is goal-directed and guided by planned assessments (Cyert and March, 1963), whereas, ROR is the most rational and calculative approach (Driouchi and Bennett, 2012). With these considerations in mind, our study empirically examined the conceptual framework of Child and Hsieh (2014) to contribute to filling an important gap in the literature concerning its research question, namely, 'what decision modes do SMEs adopt when they decide on international market entry?' Two issues inform the research question of this study. First, although there is an increase in the growth and importance of SMEs internationalisation, yet we do not have an adequate understanding of how SMEs make internationalisation decisions and which modes they follow. Second, there has not been much theorizing or evidence on the factors influencing internationalisation decisions modes such as that concerning the occurrence of political crisis.

Another important consideration in this study is that SMEs in general and Arab SMEs in particular offer an interesting context for internationalisation research for several reasons. They exhibit peculiar international orientation in their internationalisation patterns (Coviello, 2015; Bagheri et al., 2019). There is a limited understanding about their internationalisation processes, specifically with regard to managerial decision-making (Elbanna et al., 2020a). It is standardly acknowledged that the distinctive cultural context of the home country affects managerial choices of both small and large organisations (Child et al., 2017). Therefore, a study of SMEs located in the Arab World can potentially flag theoretical and empirical insights to advance the current SMEs internationalisation research dialogue taking into consideration the limited number of studies on SMEs internationalisation in the Arab context (see reviews by Jones et al., 2011; Elbanna et al., 2020a).

Methodologically, the study adopts a qualitative case study design. As Tsang (2013) notes case study research is well suited to identify events that when examined may pause contradicting predications of a theory. Hence, qualitative methods including case studies can provide prospective contributions owing to their in-depth investigation to reveal mechanisms of the underlying phenomenon. Furthermore, the qualitative methodology enables the capture of individuals' unfiltered perspectives and allows a detailed analysis of the 'how' and 'why' the international market entry decision is undertaken, particularly in gleaning participants' views (Denzin and Lincoln, 2005).

In sum, this study employs the conceptual synthesis of Child and Hsieh (2014) to answer the study's research question. The answer to this question is intended to make three contributions. First, our exploratory study contributes to the scant literature that investigates and scrutinises the decision process preceding foreign entries (see reviews Jones et al., 2011; Terjesen et al., 2016; Elbanna et al., 2020b). In developing the contribution to knowledge, the study identifies a hybrid decision mode for unplanned internationalisation and, hence, both extends the platform of contingency analysis and supports the relevance of idiosyncrasies regarding strategic choice. This contribution is particularly relevant in the investigation of unplanned internationalisation. We believe that the underlying assumption that SMEs adopt reactive intuitive decision modes during unplanned internationalisation has been made explicit in the extant literature that possible theoretical extensions may be worth investigating. Second, the study responds to calls to include a temporal dimension in the examination of SMEs internationalisation decision-making (Jones et al., 2011; Teagarden et al., 2018). Third, the study contributes to the emerging yet limited literature that examines decision-specific contexts, particularly, international market entry (Ahi et al., 2017; Kiss et al., 2020), and provides empirical evidence about the decision-making of Middle Eastern SMEs.

The remainder of this article is organized as follows: First, it elaborates on the theoretical underpinnings, and then describes the research methodology and presents the empirical results. The penultimate section discusses the findings and their implications for researchers before the last section presents their managerial implications, the research limitations, and avenues for future research.

## 2. Theoretical background

### 2.1. Decision-making and internationalisation

Decision-making is a relevant consideration in the context of SMEs internationalisation (Child et al., 2017) because international market entry is a function not merely of the entrepreneurial behaviour of the founder (Nummela et al., 2014) but also of the decisions involved, which include the question of how and when to internationalise. Different decision-making modes depart from a primary reference point which is the extent to which they are rational (Aharoni et al., 2011; Thanos et al., 2017). The actions of the decision-maker in the rational approach are sequential, structured in relation to end goals and the underpinning of rational decision-making is an assumption that decision-makers collect relevant information that they use to predict the outcomes of their decisions. The rational decision-making process has been criticised for its formality and the unrealistic consideration of uncertainty (Brinckmann et al., 2010).

In line with the strategic decision-making literature, the present study defines decision rationality as the extent to which decision-makers collect and analyse relevant information to pursue appropriate international market entry decisions (Dean Jr and Sharfman, 1996; Acedo and Galán, 2011). The employment of an analytical process enables organisations to identify the international market entry objectives and set clear assessment criteria. It is thought to help decision-makers deal with information, conduct a systematic analysis, control strategic business development steps, and achieve established goals. Reactivity on the other hand replaces analytical

processes and fosters an automatic response to incidences and events (Child and Hsieh, 2014).

For decades, the internationalisation research assumed rational-goal-driven behaviour among internationalising SMEs, until the time when the accelerated internationalisation of small firms challenged the predominant incremental perspectives (see Oviatt and McDougall, 1994; Coviello and Munro, 1997; Crick and Jones, 2000). The emergent research stream at the time emphasised the relevance of the decision-makers' risk perception, affordable loss principles, flexibility, and international experience on SMEs internationalisation (Nummela et al., 2016; Kalinic et al., 2014; Thanos et al., 2017; Hsieh et al., 2019). The decision-makers were found to apply un-planned reasoning when they decided on the initial international entry and then, over time, shifted the logics to a rational approach as they gained experiential learning in the host markets (Gabrielsson and Gabrielsson, 2013; Kalinic et al., 2014; Nummela et al., 2014; Prashantham et al., 2019). The findings are inconclusive, because some research brings up evidence to support the co-existence of rationality and intuition at all stages of the internationalisation process rather than identifying a dichotomous choice (Nielsen and Nielsen, 2011; Kalinic and Forza, 2012; Crick et al., 2020). While other studies report the significance of rational approaches (e.g., Ji and Dimitratos, 2013; Ahi et al., 2017; Petrou et al., 2020). For example, Ji and Dimitratos (2013) find that bounded rationality increases decision-making effectiveness in Chinese SMEs, while Felício et al. (2016) establish that the rationality enables SMEs to embark upon risky international ventures. Similarly, Deligianni et al. (2016) report the significant role of rationality on SMEs international orientation and performance. These conflicting findings may be attributed either to the nature or significance of the decision or to the inherent limitations related to capturing dichotomies.

Researchers have also investigated the decision modes employed to decide on the internationalisation/de-internationalisation of ventures, speed, and SMEs leverage of networks (Yang and Gabrielsson, 2017; Prashantham et al., 2019). For example, Hashai (2011) found that high-tech early-internationalising SMEs develop their geographic scope through rational decision-making while Harms and Schiele (2012) established that rationality and intuition are not mutually exclusive in early internationalising German SMEs. Kalinic et al. (2014) and Fisher (2012) identify the dominance of irrational modes during unplanned internationalisation. Several studies concur with the simultaneity view regarding SMEs decision-making (Nummela et al., 2014; Reymen et al., 2015) although recently Ahi et al. (2017) suggest the significance of the rational modes on SMEs performance post-market entry and Petrou et al. (2020) establish the adverse effect of irrational behaviour on SMEs accelerated internationalisation.

Faced with the conflicting evidence regarding which decision modes SMEs adopt in the context of their internationalisation, scholars call for an 'analytic syntheses' to advance the knowledge domain of SMEs (Jones et al., 2011; Coviello, 2015; Guercini and Milanese, 2020). Child and Hsieh (2014) responded to this call by offering a systematic analysis of the decision modes among internationalising SMEs. Their framework offers a contextualised analysis and will be discussed next.

## 2.2. Configuration and contingency analysis: Child and Hsieh's (2014) framework

In response to the calls that the decision-making approaches differ between SMEs and large organisations (Brouthers and Nakos, 2005; Elbanna et al., 2020b) and the observation of Laufs and Schwens (2014) that 'With regard to SMEs' sensitivity to external challenges, it remains unclear how SMEs and their major actors make decisions' (p. 1120), Child and Hsieh (2014) propose a fine-grained identification of the decision modes along the planned versus unplanned binary axis. This framework considers the extent to which the decision is planned, driven by goals and aspirations, and captures the application of rules to evaluate alternatives. The proposed four modes range from a low to a high level of planning and rationality. These are, respectively, reactivity, incrementalism, bounded rationality, and ROR.

The conceptual synthesis builds on organisational theory, which argues that decision-makers are cognitively limited individuals, rather than 'economic men' (Simon, 1955) and their analysis combines the theoretical underpinnings of two schools of thought: the normative and descriptive approaches. While the normative approach advocates rational behaviour that mandates executives to collate information in order to make informed decisions (Grant, 2003), the descriptive school departs from planned actions and moves towards heuristics (Elbanna, 2006). Although these two approaches appear distinct, they depart from the same point of reference, namely, the degree of rationality in the decision choice, and explicitly recognise that the decision's idiosyncrasies and the application of contingency models are the most relevant factors in determining the decision-making modes.

The main contribution of the framework is the fact that its conceptual analysis moves beyond the binary distinction to offer a nuanced conceptualisation of SMEs decision-making. It further builds on the two dimensions that distinguish SMEs decision-making. The first dimension is whether internationalisation is planned or unplanned in response to serendipitous opportunities (Crick and Jones, 2000). The second dimension is whether a rational calculation is performed in advance of making a commitment as opposed to relying on imitation or intuition (Acedo and Galán, 2011).

We explain here the four decision modes of the framework; decision-makers who adopt a reactive approach simply react to external factors and follow unplanned trajectories to achieve short-term goals. Reactivity arises when decision-makers react positively to a serendipitous event and internationalisation is the result of a contextual business relation (Child et al., 2017). This mode is adopted by small and micro firms during the initial stages of internationalisation. The incremental-decision mode involves a limited amount of planning and is a muddling through approach. In the context of SMEs internationalisation, decision-makers consider a limited range of alternatives and adopt opportunities that are similar to their past experiences with which they are familiar when they adopt an incremental mode (Schweizer, 2012). Child and Hsieh's framework distinguishes between incremental and reactive modes on the basis of the decision-maker's formulation of objectives and comparison of alternatives. The bounded rationality decision mode relates to analytical and integrative comprehensiveness and identifies logical decision-making within the cognitive capabilities of the decision-maker (Elbanna, 2006). Decision-makers who follow this approach tend to satisfice and develop rules and criteria to guide the decision-making and are bounded by the complexity of the surrounding environment and access to information. Decision-makers'

cognitive limits, uncertainties, time limitations, and the cost of securing further information hinder rational decision-making; therefore, organisations perform limited searches and evaluate alternatives before satisficing by choosing the option that enables them to achieve their aspirations. Through this process, decision-makers develop decision rules to guide the selection and evaluation of alternatives.

The last and most rational decision mode in the framework identifies ROR as a calculative approach that aims to reduce alternatives. It is goal-driven and entails the pursuit of a planned strategy. Further, the ROR mode implicitly identifies the possibility of revising commitment decisions based on learning (Driouchi and Bennett, 2012) and captures the unrealistic assumption that organisations can fully capture information about all the alternatives. ROR is located at the highest rationality end of the decision modes and is a powerful metaphor for understanding how SMEs contemplate expanding their international activities (Ahi et al., 2017). Except for the reactive mode, the three modes embed elements of rationality, where decision-makers rely on the objective analysis of the situation to assess the decision criteria rather than applying subjective preferences.

### 3. Methodology

#### 3.1. Research context

In response to calls for: (a) studies in under-researched contexts (Teagarden et al., 2018) and (b) more contextualised explanations in the internationalisation research (Shepherd et al., 2021; Welch et al., 2011; Tsang, 2013), the empirical evidence is drawn from 22 participants and 30 semi-structured interviews from four SMEs in Egypt and Qatar. To account for the significance of exploring a phenomenon taking into account the surrounding context (Plakoyiannaki et al., 2019), we chose two countries in the same cultural cluster to control for the potential effect of national culture (Ronen and Shenkar, 2013). Next, we provide a brief overview of each country's context.

Qatar is one of the highest income developing economies, backed by the world's largest reserves of natural gas. The Qatari government has invested USD 850 million to extend start-up grants and subsidies to SME National Champions (IMF, 2020). In June 2017, an embargo was introduced by four countries – the Kingdom of Saudi Arabia (KSA), Bahrain, Egypt, and the United Arab Emirates (UAE) – who accused Qatar of supporting terrorism. Despite the embargo, Qatar's economy has continued to expand. Its economy grew by 1.6% in 2017, rising to 2.4% in 2018, and to 3.1% in 2019 (IMF, 2020). By contrast, although Egypt is considered the cradle of civilisation, it is a low-to-middle income developing economy. It has experienced a drastic fall in both foreign investment and tourism revenue, followed by a 60% drop in foreign exchange reserves, a 3% drop in growth, and a rapid devaluation of the local currency since the fall of the regime in 2011. However, after a period of stagnation, the economic conditions have now begun to improve. For example, in its annual report for 2019, the International Monetary Fund (IMF) rated Egypt as one of the top countries in the world for economic reform, which included a dramatic slashing of customs and tariffs and a revised taxation law. The two countries on which this paper is based are located in the Arab cultural cluster and are similar in societal norms and core values (Ronen and Shenkar, 2013).

#### 3.2. Research strategy

In this study, we examine four SMEs in Egypt and Qatar (two in each country) to study the decision modes each case adopts to decide on international market entry. The study is confirmatory and aims to elaborate on an existing theoretical framework. Accordingly, and following Eisenhardt and Graebner (2007), we used multiple case study research to investigate theoretical links.

The study adopts an embedded approach by interviewing multiple participants from each case and thus we respond to critiques regarding the biased findings collated from a single participant which dominates the internationalisation literature (Nummela et al., 2014). Despite the complexity of the embedded approach, it is advantageous, given its reliability in enabling inductive analysis to develop new theories rather than cumulative knowledge (Eisenhardt et al., 2016) and enhancing the understanding of the explored phenomenon (Eisenhardt, 1989). Further, the embedded approach serves an added advantage by enabling triangulation of data and evidence, hence, mitigating retrospective bias.

Our exploratory study follows a positivistic<sup>1</sup> case study approach for inductive theory building (Eisenhardt and Graebner, 2007; Eisenhardt et al., 2016); we chose this approach for the following reasons: first, it facilitated the collection of rich data, given the lacuna in studies examining a 'decision'. Second the qualitative embedded approach facilitated the collection of data from multiple sources of evidence and participants, thus mitigating the bias risk, data triangulation and reconciliation of views (Welch et al., 2011). Third, it offered an in-depth understanding of SMEs decision modes and enabled logical replication (Carson and Coviello, 1996).

In choosing the sample cases, we were cognisant that validity is a process rather than an outcome and chose the cases deliberately and not randomly. In selecting the cases, we particularly opted for SMEs that undertook more than two international market entries to

<sup>1</sup> The positivist approach to case study research enabled tying to actual data which has often been tenuous when adopting alternative qualitative approaches which conceive researchers as interpreters, and gatherers of interpretations. In line with Eisenhardt (1989), we were able to understand the dynamics within the explored contexts to ascertain decision modes and therefore verified the emergent relationships between constructs and evidence in each case. The adopted approach is directed towards the development of propositions with the potential to develop testable hypotheses and theory in future research agendas rather than constructing knowledge as per the like of Stake's (1995) approach. The positivist approach contrasts with other case study approaches that entirely focus on the rich and complex description of cases and appear to be less concerned with the development of theory.

enable sufficient variance and comparison of SMEs' decision modes for robust theorizing. Further, the selected SMEs had to have been operational in the host markets for at least a year so that we could discuss the entry decisions. The purposeful sample provided a set of organisations that met two criteria given that the definition of SMEs in Qatar and Egypt is comparable to the EU definition: the firm selected should employ between 10 and 250 people; and its turnover should not exceed EUR 50 million. The purposeful theoretical sampling enabled the examination of typical rather than different cases. It is worth noting that to enable the examination of the internationalisation decisions when SMEs adopt the same business model (Child et al., 2017), we selected manufacturing SMEs that adopt the same entry mode (exporting). Our choice of manufacturing SMEs responds to calls to avoid examining over-researched high-tech SMEs (Coviello, 2015). The research question was discussed with the SME Support Agency in each Gulf country. Based on their recommendations, the four cases were selected. Table 1 presents an overview of the sample cases.

The qualitative study followed Yin's (2013) recommendation that evidence should be obtained from a variety of sources and draws on: (1) 30 semi-structured interviews with 22 participants; and (2) observations and a review of each case's corporate documents and website. We used the language of 'what, who, where, why, when and how' to guide the interview protocol and solicited responses from multiple participants in each case. For example, we asked the participants to (1) elaborate on and describe the decision-making process they adopt when entering foreign market (2) describe the company's goals for entering foreign markets and (3) describe the decision making criteria they use to evaluate alternative options. To minimize retrospective bias, the first author re-iterated the description of the event at the start of each question to ensure that the participant answers the questions in relation to the identified event. To enhance triangulation and to minimize retrospective bias, the information about the discussed events such as the first market entry was validated from other sources of secondary evidence such as company's memos, press releases and corporate website and brochures.

This study follows the key informant approach (Eisenhardt, 1989); participants were identified by the senior decision-maker in each SME as those who were involved in the planning and implementation of the international market entry decisions. Prior to the data collection, two pilot interviews were conducted with one SME in each country to refine the interview protocol. Additionally, we reviewed the websites of the sample cases in order to seek information about their international clients, markets and general secondary data. Furthermore, we requested copies of the SMEs archival documents, such as e-marketing newsletters and brochures. These efforts enhanced the data triangulation and, since the archival documents and secondary sources were produced in real time, we mitigated any retrospective bias among the research participants (Yin, 2013). During the interviews, we explicitly informed the participants of the anonymity of their personal and company's identities, therefore encouraging candour and reducing bias. Table 2 provides a description of the study's participants.

All participants had management posts, in both client-facing and back-office capacities. Such diversity within the participants' job responsibilities facilitated the exploration of different operational and non-operational perspectives and minimised bias. The average

**Table 1**  
Overview of the sampled cases.

	AlfaQAT	GamaQAT	BetaEGY	OmegaEGY
Established	1998	2010	1990	2004
Country of origin	Qatar	Qatar	Egypt	Egypt
Industry	Garments	Electric candles	Textiles	Mechanical electrical boards
Number of employees	100	55	85	150
Internationalisation mode	Exporting	Exporting	Exporting	Exporting
International markets	UAE (2002) KSA (2003) Kuwait (2005) Spain (2010) USA (2011) France (2015) UK (2018)	UAE (2013) UK (2014) KSA (2015) France (2015)	UK (2008) Kuwait (2010) UAE (2010) Turkey (2013) KSA (2014)	UAE (2006) Kuwait (2009) KSA (2015)
Government loan/amount	Yes/USD 5 million	Yes/USD 1 million	Yes/USD 100 thousand	Yes/USD 250 thousand
Land grant	✓	✓	×	×
Manufacturing subsidies	✓	✓	×	×
Years covered	2002–2018	2013–2015	2008–2014	2006–2015
Number of interviews	9	8	4	9
Number of interview hours altogether	13.5	12	12	14
Number of events	54	42	48	41
Number of participants: middle and top level managers	6	4	7	5
Year of first internationalisation decision	2002	2012	2008	2006
International experience	15 years	6 years	6 years	10 years
Internationalisation objectives	To develop a luxurious Qatari brand in the international fashion industry	To export 80% of production by 2020	To export 25% of production by 2018 — this target was set after the success of first exporting	To survive competition in the domestic market and achieve a minimum profit of 15% on each potential exporting order

**Table 2**  
: Characteristics of participants.

Firm (number of participants)	Functional roles	Years of international experience	Education	Age (years)
AlfaQAT (6)	Chief Executive Officer	5	MBA	55–60
	Managing Director	10	MBA	45–50
	Chief Financial Officer	8	CFA	45–50
	Exporting Director	12	MBA	40–45
	Exporting Manager	7	B.Sc.	30–35
	Manager, International Markets	8	MBA	40–45
GamaQAT (4)	Managing Director	10	PhD	45–50
	Financial Controller	13	B.Sc.	55–60
	Director International Operations	8	B.Sc.	35–40
	Assistant Manager — Exporting	9	MBA	35–40
BetaEGY (7)	Managing Partner	18	B.Sc.	60–65
	Director operations	10	MBA	50–55
	Financial Controller	11	CFA	50–55
	Finance Director	14	CFA	40–45
	Exporting Director	9	B.Sc.	50–55
	Assistant Director, International Sales	5	MBA	35–40
	Logistics and Freight Manager	8	M.Sc.	40–45
OmegaEGY (5)	General Manager	16	B.Sc.	55–60
	Chief Executive Officer	9	M.Sc.	55–60
	International Sales Manager	9	MBA	40–45
	Assistant Manager — Exporting	12	MBA	40–45
	Finance Manager	7	CFA	35–40

length of international experience of the participants was about ten years, with experience of more than five years each. All the interviews were recorded (51.5 h) and transcribed. The interview scripts were sent to participants for approval to ensure reliability and validity (Korbi et al., 2021). During the interviews, we did not predispose the participants by using terms such as ‘rational’, ‘intuitive’ or ‘reactive’. To enhance the accuracy of the findings, we followed Eisenhardt and Bourgeois' (1988) 24-h rule by recording the notes and insights gained during the interviews within 24 h.

### 3.3. Data coding and analysis

The study adopts two-step content analysis of text data (Creed et al., 2010). In the first step, we created for each case a list of internationalisation events with the related managerial decisions. Each case was, therefore, captured as a sequence of internationalisation events over a specific period of time (Van de Ven, 2007). The textual data were then coded using codes derived from the decision-making literature ultimately to map each internationalisation event to one decision mode in Child and Hsieh's (2014) framework. In this step, we adopted an inductive approach (Potter and Levine-Donnerstein, 1999) based on theory-driven categories from Child and Hsieh's (2014) framework (reactive, incremental, bounded rationality or real option reasoning) and code each event (international market entry decision) to answer “how” and “why” decision-making folded over time. This approach provided the basis for “thick description” that makes new theoretical explanations possible (Eisenhardt et al., 2016).

We designed the data analysis process to allow iteration between empirical evidence and theory (Welch et al., 2011). The data analysis involved separate steps to capture which decision modes SMEs adopt during the context of initial and subsequent international market entries. In line with inductive research, each step involved rereading the interview transcripts and reinterpreting the data by the research team and one independent research assistant. Data management was conducted using NVivo 10, which was helpful for shifting between different sources of evidence from the two contexts, finding relevant phrases and paragraphs from the interview transcripts, and carrying out the data coding. The qualitative content analysis enabled analytical replication (Eisenhardt and Graebner, 2007) while data management through NVivo10 enabled the visualisation, annotations, and analysis of different constructs (for example, planning, goal-driven, rules, alternatives, market entry) and allowed the compilation of a chronological path for each of the four cases. The analysis was complemented by field notes and secondary data in the case descriptions. The research team coded the narratives to determine the extent to which each decision/internationalisation event was (1) pre-planned, (2) goal driven, (3) evaluated using specific decision rules and (4) compared with alternatives. Specifically, we obtained 78 codes. The codes were further refined as the analysis continued (cf. Petriglieri et al., 2019). In the first round, we coded the goal objective influencing the international market entry and determined elements of planning. In the second round, we coded the data to ascertain alternatives and assessment criteria involved in each case and for each event. Coding discrepancies were discussed and resolved before proceeding to the final stage of the content data analysis. This step ensured that coding is the result of multiple perspectives following the recommended approach in inductive theorizing (Creed et al., 2010).

In the second step, we followed a summative approach to qualitative content analysis to discover the underlying meanings and relationships within the content (Hsieh and Shannon, 2005). In this step, the first-level codes are augmented by theoretical understandings about the internationalisation of SMEs. The second step is more of an inductive approach that aids the elaboration of the data and comparison between cases. This step ultimately resulted in the articulation of decision-making mode which managers adopted as they navigate international market entry decisions and enabled the research team to generate propositions. The analysis

followed a systematic procedure for analysing qualitative data in which our analysis was guided by a specific objective (Thomas, 2006) to determine which mode the case adopts in each of the events analysed for each of the sampled cases. In Table 3, we provide a summary of the data, methods, and analysis.

#### 4. Findings

In this section, we present the decisions identified during the initial stage of internationalisation and illustrate the decision modes as SMEs undertook successive international market entry decisions. The findings are presented in accordance with the timeline below (Fig. 1) for each case. T0 captures the event of initiating the internationalisation decision, T1 identifies the decision mode that the SME adopts to decide on the first host market and entry mode choice, while T + × identifies subsequent international market entries.

##### 4.1. The starting point: initiating internationalisation decisions

We began the analysis by asking whether the SMEs initial internationalisation was planned. The contextual information presented earlier (Table 1) reflects that AlfaQAT and GamaQAT identified pre-determined internationalisation plans from the first days of their operations and explicitly reflected the companies' international orientation on their corporate website and set-up documents. In contrast, the sample cases from Egypt did not set internationalisation objectives at the time of establishment and, although BetaEGY identified international targets after the success of the first international transaction, OmegaEGY refrained from setting predetermined internationalisation plans. Table 4 summarizes the illustrative quotes that describe how the decision to internationalise originated in each case. Since we sought evidence from multiple participants in each case, we were able to triangulate and validate the data.

Employing Child and Hsieh's (2014) framework, the cases were analysed along the four dimensions and the findings are presented in Table 5 to explain the decision mode employed by each case. The two cases from the Qatari context employed a bounded rationality approach when they concluded the first international market entry in less than five years after inception and that the decision-makers identified simple decision rules with explicit parameters, such as profit margins and risk tolerance. Although the two cases in Qatar failed to undertake an extensive alternative analysis, the decision-makers compared two scenarios with one another. For example, while AlfaQAT questioned the timing of the first export order, GamaQAT queried the export targets and timeline. Further, despite pre-planning, the data fail, at this early stage, to reflect an analysis of the market goals in the host markets, but the two cases indicated that periodic reviews to evaluate progress would be conducted every quarter by AlfaQAT and twice per year by GamaQAT.

**Table 3**  
Data and methods used.

Participants	Procedure and data	Analysis
22 middle and top-level managers in four SMEs: <ul style="list-style-type: none"> <li>• 10 from Qatar</li> <li>• 12 from Egypt</li> </ul> Typical roles: <ul style="list-style-type: none"> <li>• Chief Executive Officers (CEOs)</li> <li>• Managing Directors</li> <li>• Chief Financial Officers</li> <li>• Exporting Managers</li> </ul> How selected: <ul style="list-style-type: none"> <li>• Recommendation from SME Support Agency in each country</li> <li>• Manufacturing SMEs that with the same international market entry mode: Exporting</li> <li>• Been in the host market for more than one year</li> <li>• SME (1) employs between 10 and 250 people; and (2) its turnover should not exceed EUR 50 million</li> <li>• Participants held management posts, in both client-facing and back-office capacities. Such diversity facilitated the exploration of different operational and non-operational perspectives and minimised bias.</li> </ul> How accessed: <p>The CEO in each SME nominated members of the management team who are involved in the 'planning' and 'implementation' of the exporting decision.</p> Characteristics of participants: <ul style="list-style-type: none"> <li>◦ Median size of SME: xx</li> <li>◦ Median industry experience: xx years</li> </ul>	<ul style="list-style-type: none"> <li>• Each case was captured as a sequence of the internationalisation events over a specific period of time.</li> <li>• All participants were asked to explain the exporting decision of each internationalisation 'event' depicting the four dimensions of Child and Hsieh (2014) of whether the decision is (1) pre-planned, (2) goal driven, (3) evaluated using specific decision rules and (4) compared with alternatives.</li> <li>• Data analysis followed inductive content analysis approach.</li> <li>• Participants were asked the same semi-structured questions. The think-out-loud interview sessions lasted for 90 min on average and were recorded and transcribed</li> <li>• The interview scripts were sent to participants for approval to ensure reliability and validity. The embedded approach facilitated triangulation, reconciliation of views and avoided bias of a single participant</li> </ul>	Transcripts were coded based on the participants': <ul style="list-style-type: none"> <li>• Overall assessment of the decision-making approach</li> <li>• Evaluation of whether the decision was pre-planned</li> <li>• Motivation and existence of goals</li> <li>• Evaluation against specific criteria</li> <li>• Background to the decision</li> </ul> To facilitate comparison between events, several tables were created and summarized. Please refer to Tables 2 and 3 for characteristics of decision-makers and internationalisation events for each SME case. Data was organized using NVivo10 software  Secondary sources such as archival files, memos and company's marketing brochure and website constituted a second source of evidence

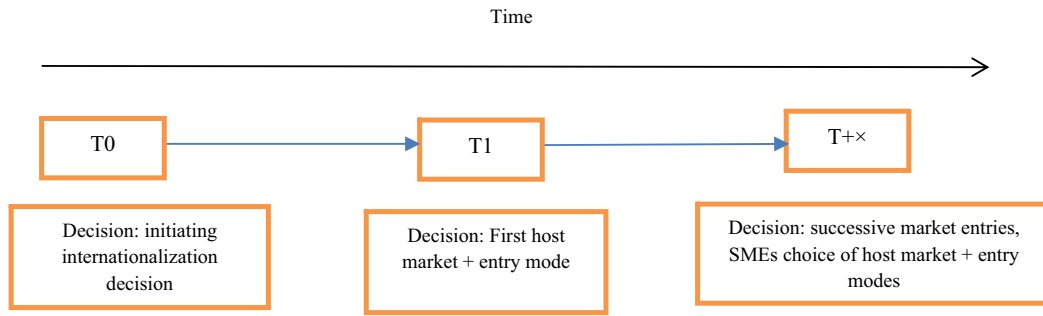


Fig. 1. The events explored in the exploratory study.

Table 4  
Illustrative quotations - initiating the internationalisation decision.

Case	Illustrative quotations
AlfaQAT	'We were committed in all aspects ... our website stated what we want to achieve; an international Qatari brand. We planned to export 30–40% within 5–6 years' (Chief Executive Officer) 'We decided to monitor progress and highlight any risks; the CEO asked for a review of exporting activities to be in place every quarter, fair enough for everyone' (Managing Director) 'Of course, we need to protect the company's brand, we are fairly new and we can't afford risky business. We all agreed that checks and reviews are needed to ensure we are on the right track' (Assistant Manager – Exporting).
GamaQAT	'You can't sustain a company's growth if you rely solely on domestic demand. From the very first day of our operations, and from the time the business was an idea, we knew we would export, we just needed to make it happen' (Director International Operations) 'The CFO worked his maths; we would agree as long as the company accrued 25% net' (Director International Operations) 'We need to have a review to assess production capacities every 6 months' (Financial Controller) 'During the incorporation stage, we discussed targeting 80% exports by 2015 but it was not realistic, so we decided to achieve 50% by 2015 and 80% by 2020' (Assistant Manager – Exporting)
BetaEGY	'Our exporting was just a coincidence. The CEO ran into an old friend in London, they caught up over coffee and the introduction was made. The request was precise: to produce their product range. Of course, we agreed. It was an opportunity' (Exporting Director) 'The acceptance meant that the production floors will be busy for month; we were not making a loss – what an unexpected surprise, a good one of course' (International Sales Manager)
OmegaEGY	'We did a sub-contracting job, they were pleased, they approached us, and we said, why not, we have the capacity' (General Manager) 'Certainly, I wish to export, but I did not plan for it. However, the government must provide the means to support exporting – we can't do it on our own and since we knew we couldn't do it, we did not plan for it, at least at the start-up stage. However, if we get an order, our finance team will accept it as long as it accrues 15% plus net' (Assistant Manager – Exporting) 'In my view, the profit margin was reasonable. It did not make sense for us to turn their order down but if you ask me did we plan it, I would say of course, we did not' (Financial Controller)

Table 5  
Decision modes — initiating the decision to internationalise.

Case	Decision features				Decision mode description	Decision mode
	Planned	Goal driven?	Decision rules?	Comparison of alternatives?		
AlfaQAT	✓	✓	✓	Limited	Explicit plans in place.	Bounded rationality
GamaQAT	✓	✓	✓	Limited	Management identified mid- to long-term plans. The case evaluated two alternatives; either to export immediately after inception or to defer exporting for 5 years.	Bounded rationality
BetaEGY	x	✓	x	x	Serendipitous internationalisation: no evidence of decision rules or comparison of alternatives. The decision was goal driven by	Reactive
OmegaEGY	x	✓	x	x	considerations of survival (BetaEGY) and profitability (OmegaEGY)	Reactive

Within the Egyptian context, participants were of the view that they lacked the resources to expand beyond the domestic markets and that the government's financial interventions and coordination of international exhibitions should have been sufficient to enhance the competitiveness of their firms overseas. Participants stated: 'How can we do it?', 'Of course we will be keen to [export], but we can't do it on our own; we don't have the means'. Participants then explained how they reacted to emerging internationalisation opportunities and showed that the first international market entry was unplanned and serendipitous. The contextual data suggest that BetaEGY internationalised following an introduction through the CEO's personal contacts, while OmegaEGY was directly approached to supply electrical boards for a project in the UAE.

The analysis further suggests that the decision-makers failed to foresee the necessity of conducting market research or analysing alternatives. While BetaEGY ascertained that 'it was a trusted introduction and, at the end of the day, we were producing the specification



they required, so there was no risk of wasting time or money', OmegaEGY admitted that 'it was a take it or leave it deal. It fell in our laps, and we decided to go ahead'. The empirical evidence confirms that the two Egyptian cases internationalised a few years after establishment and, while BetaEGY's main concern was survival, OmegaEGY's priority was profits. Therefore, decision-makers' sense-making of international opportunities led SMEs in Qatar and Egypt to adopt the bounded rationality and reactivity modes, respectively, when deciding whether or not to internationalise. The narratives overall reflect discussions and persuasion using logical arguments and factual evidence to persuade a target. Internal stakeholders, involved in the decision, used rational arguments to support the internationalisation initiative. Table 5 summarizes the decision modes employed by each case.

#### 4.2. How did the SMEs in each context decide on their first international market entry?

At this point, the decision-makers within the internationalising SMEs from Qatar began to translate their pre-determined internationalisation plans into action, while the decision-makers within the SMEs in Egypt reacted to emerging opportunities. Employing Child and Hsieh's (2014) framework, we analyse in Table 6, the decision mode employed by each case to decide on the first international market entry: AlfaQAT to UAE in 2002, GamaQAT to UAE in 2013, BetaEGY to UK in 2008 and OmegaEGY to UAE in 2006.

In the Qatari context, decision-makers identified opportunities in the first host market, determined a set of decision rules, evaluated alternatives, and acknowledged that they had failed formally to evaluate other options because of a lack of sufficient knowledge about foreign direct investments and entered their first host markets through indirect and direct exporting. The statements reflect the tendency of the two cases to collate market information about the target host markets through database subscriptions and an SMEs support agency, namely, the Qatar Development Bank (QDB): 'We decided to participate in government trade shows to achieve the targets we planned', 'The company subscribes to several databases and we seek updated information about markets and raw-material prices', 'Working with them [the Qatar Development Bank] meant that access would be valid referrals [trustworthy]. We were not going abroad unprepared'. It should be noted that the study does not, at this stage, report findings with regard to the SMEs reliance on networks for market information. The decision-making process aimed to collect information from formal sources and apply a set of decision rules for fulfilling pre-determined internationalisation targets.

In the Egyptian context, although serendipitous events led the SMEs to engage in unplanned internationalisation, the decision-makers pursued decisions within predefined parameters because the host markets and entry mode had already been identified. Hence, the decision-makers failed entirely to apply heuristics but made their decisions within a limited set of decision rules that took

**Table 6**  
Decision modes to decide on SMEs' first international market entry.

Case (market/ year)	Decision features				Decision mode description	Decision mode	Entry mode
	Planned	Goal driven	Decision rule(s)	Alternatives compared			
AlfaQAT (UAE/ 2002)	✓	✓	✓	Limited	<ul style="list-style-type: none"> <li>The decision was planned and the case was driven by the long-term goal of maintaining a presence in a regional hub market, chosen by management as the UAE. A second objective was the enhancement of legitimacy by partnering with large distributor(s).</li> <li>The main decision rules applied were a net margin <math>\geq 20\%</math>, low risk tolerance and partnering with a distributor with a large distribution network.</li> <li>The case evaluated two alternatives (direct vs. indirect exporting).</li> </ul>	Bounded rationality	Indirect exporting
GamaQAT (UAE/ 2013)	✓	✓	✓	Limited	<ul style="list-style-type: none"> <li>The decision was planned and the case followed a market-seeking strategy and chose the firm's commitment to a leading regional market in the UAE.</li> <li>Management set a target of 4–6 orders per year with a net margin in excess of 15% and evaluated two entry mode choices (exporting vs. joint venture).</li> </ul>	Bounded rationality	Direct exporting
BetaEGY (UK/ 2008)	×	✓	Limited	×	<ul style="list-style-type: none"> <li>No formal plans.</li> <li>The company was driven by profitability considerations, and hence, applied a decision rule to accept exporting orders that generated more than 15% of net margin.</li> <li>No evidence of evaluation of alternatives</li> </ul>	Reactive bounded rationality	Direct exporting
OmegaEGY (UAE/ 2006)	×	✓	Limited	×	<ul style="list-style-type: none"> <li>No formal plans in place.</li> <li>The company was goal-driven by profitability prospects and the willingness of international clients to pay in foreign currency within 30 days of receipt of invoice.</li> <li>No alternatives identified nor evaluated</li> </ul>	Reactive bounded rationality	Direct exporting

Table 7

: Decision modes for subsequent international market entries.

Case/ decision details	Decision features				Decision mode description	Decision mode	Entry mode
	Planned	Goal driven	Decision rule(s)	Alternatives compared			
AlfaQAT KSA (2003)	✓	✓	✓	Limited	<ul style="list-style-type: none"> <li>Planned entry to KSA.</li> <li>Market choice driven by growth and market expansion considerations.</li> <li>The company decided to apply a rule of evaluating export orders (profit margin <math>\geq 35\%</math> of cost excluding freight and handling costs).</li> <li>Decision-makers evaluated two entry options and assessed the selected mode based on prospective agent retail outlets and years of experience.</li> </ul>	Bounded rationality	Indirect exporting through an exclusive agent in KSA
Kuwait (2005)	✓	✓	✓	×	<ul style="list-style-type: none"> <li>Exporting to Kuwait was pre-planned.</li> <li>Decision driven by operational and financial parameters (production and freight costs)</li> </ul>	Bounded rationality	Direct exporting
Spain (2010)	×	✓	✓ (Established agent with 15+ years of experience in retail)	×	<ul style="list-style-type: none"> <li>The host market was not initially identified. Spain was then chosen because of the potential demand from the Muslim community and tax incentives to investors.</li> <li>The decision to internationalise to Europe was driven by growth aspirations and QDB incentives to participate in exhibitions in Europe.</li> <li>The company deliberately chose indirect exporting and applied a decision rule in selecting agents (an agent had to have 10+ years of experience in retail)</li> </ul>	Incrementalism	Indirect exporting
USA (2011)	✓	✓	✓	Limited	<ul style="list-style-type: none"> <li>Planned entry to USA to reflect the corporate's global presence.</li> <li>Decision-makers applied a set of criteria and decision rules to select agents (an agent had to have an established 10+ years of retail networking in the Northern and Eastern regions).</li> </ul>	Bounded rationality	Indirect exporting
France (2015)	×	✓	✓		<ul style="list-style-type: none"> <li>The decision to export to France was not planned. The company was approached by a potential client who expressed interest in the product.</li> <li>The company applied a set of decision rules to justify order acceptance (order value <math>\geq</math> Euro50k and the client had to agree to pay within 45 days.</li> </ul>	Bounded rationality	Direct exporting
UK (2018)	✓	✓	✓	×	<ul style="list-style-type: none"> <li>Senior managers deliberately wanted to compensate for the lost business from the blockade countries by focusing on existing client's/business networks — exploitation rather than exploration.</li> <li>Operations and exporting team decided to distribute excess production/unsold through exporting in the home base – accruing a profit margin excess of 15%</li> <li>Management did not identify new alternatives in other locations and enhanced the presence in the UK by opening a representative office.</li> <li>Considerations of extra cost vs. benefits in the UK</li> </ul>	Bounded rationality	Direct exporting
GamaQAT UK (2014)	✓	✓	✓	×	<ul style="list-style-type: none"> <li>Explicit plans to export to the UK. The company used existing contacts from senior management.</li> <li>Decision driven by market expansion and growth aspirations</li> <li>All potential orders to accrue a margin in excess of 30% to be accepted</li> <li>No additional evidence of alternative presented during discussion with the client in the host market.</li> </ul>	Bounded rationality	Direct exporting
KSA (2015)	✓	✓	✓	Limited	<ul style="list-style-type: none"> <li>Planned decision to commit to regional presence in KSA and UAE.</li> <li>Management applied a set of financial decision rules to accept exporting order(s); a profit margin <math>\geq 25\%</math> of cost and payment tenure of 30 days.</li> <li>No extensive identification of alternatives due to lack of knowledge about the KSA market</li> </ul>	Bounded rationality	Direct exporting

(continued on next page)

Table 7 (continued)

Case/ decision details	Decision features			Alternatives compared	Decision mode description	Decision mode	Entry mode
	Planned	Goal driven	Decision rule(s)				
France (2018)	✓	✓	✓	×	<ul style="list-style-type: none"> <li>• Management team decided to continue its commitment to international plans rather than halting international venturing.</li> <li>• Brainstorm to increase sales turnover from existing clients — clear message, expand existing clients' businesses.</li> <li>• Two alternatives evaluation: Joint venture versus exporting</li> <li>• Decision to export as long as the exporting order accrue 25%–30% to the organisation</li> </ul>	Bounded rationality	Direct exporting
BetaEGY Kuwait (2010)	✓	✓	✓	×	<ul style="list-style-type: none"> <li>• Decision-makers consciously planned an entry to Kuwait capitalising on prior international experience – building on past success to pursue future gains.</li> <li>• Profitability considerations underpinned exporting decision.</li> <li>• Management applied a decision rule to evaluate prospect orders: profit margin <math>\geq 20\%</math> of total cost including freight and handling.</li> </ul>	Bounded rationality	Direct exporting
UAE (2010)	Medium	✓	✓	✓	<ul style="list-style-type: none"> <li>• The company planned an entry to the UAE as part of regional market presence strategy.</li> <li>• The choice was driven by the desire to expand revenues from international markets because of the small size of the domestic market.</li> <li>• Profit margin of exporting orders had to exceed 20%.</li> <li>• Decision-makers evaluated direct and indirect exporting options to internationalise to the UAE.</li> </ul>	Bounded rationality	Indirect exporting
Turkey (2013)	✓	✓	✓	Limited	<ul style="list-style-type: none"> <li>• Planned and deliberate target of the Turkish market following the good/ flourishing relationship between the two countries.</li> <li>• Increase sales turnover by 5% in the first year and 15% in 3 years.</li> <li>• Decision rule: accept exporting order as long as payment in USD is accepted in less than 30 days.</li> </ul>		
KSA (2014)	Medium	✓	✓	✓	<ul style="list-style-type: none"> <li>• The choice of KSA was a milestone in the regional presence market strategy. Medium term plans were laid.</li> <li>• The decision was driven by aspirations to export to the three major markets in the Gulf region.</li> <li>• Profit margin from exporting orders had to exceed 20%</li> <li>• Decision-makers evaluated direct and indirect exporting options.</li> </ul>	Bounded rationality	Indirect exporting
OmegaEGY Kuwait (2009)	×	✓	✓	×	<ul style="list-style-type: none"> <li>• The decision to export to Kuwait was not planned. Company capitalised on sales and marketing manager prior international experience in Kuwait when he offered to explore the market.</li> <li>• The decision was driven by growth aspirations and drives to diversify income from international markets and minimize reliance on domestic home market.</li> <li>• Finance team communicated a clear criterion to international team to accept orders if net profit margin is in excess of 30% of cost.</li> </ul>	Incrementalism	Indirect exporting
KSA (2015)	Medium	✓	✓	✓	<ul style="list-style-type: none"> <li>• The decision was explicitly articulated as part of the company's international plan. Management were driven by growth aspiration and desire to minimize reliance on domestic sales.</li> <li>• The company evaluated two options (exclusive agency and direct exporting) and decided to appoint an exclusive agency to capitalise on KSA agent knowledge of host market.</li> <li>• Decision-makers applied a single decision rule — orders to accrue a profit margin in excess of 30%.</li> </ul>	Bounded rationality	Indirect exporting

into account financial parameters such as profit margins and payment terms. The two cases did not foresee a need to collate information about the host markets and OmegaEGY, interestingly, regarded the first international market entry as ‘*executing a purchase order*’. Although the two cases lacked knowledge of the international markets, they were clear regarding which steps to follow. The evident decision-making process in the two cases was to identify a set of financial parameters and take the decision if it satisfied the set rules. The analysis reflects a bounded rationality approach in the Qatari context, and a hybrid mode for the SMEs in Egypt, in the sense that, although the two Egyptian cases were reactively responding to an international opportunity, the decision-makers saw this as an occasion to devise a set of decision rules to be implemented, rather than merely planning an entry into the international market. The present study names/captures this mode as a ‘reactive bounded rationality’.

#### 4.3. SMEs' successive market entries

An analysis of the narratives indicates that the subsequent market entry decisions were pre-planned, although these often lacked explicit articulation. The decision-makers applied decision rules and were goal-driven by financial and operational parameters; further, they engaged in a limited comparison of alternatives. The analysis identifies that during the planning stage, the international market entry decision was based on facts not intuition. Teams did initial homework in the form of market research and analysis yet have not sourced expert opinion and relied on participative and collaborative decision making and the use of teams. The narratives support the existence of the bounded rationality and incrementalism decision modes in the successive market entry decisions. Table 7 presents a detailed analysis for each case decision mode along the four dimensions of Child and Hsieh's (2014) framework.

In the Qatari context, internationalisation progressed through minimal risk, SMEs evaluated past experiences and collated information about existing and new markets. The decision-makers also sought selected stakeholders to support the company's international plans and undertook the assessment and reviews of progress. For example, AlfaQAT built on knowledge acquired from the first host market (the UAE) to undertake entry into the second and third host markets (KSA and Kuwait) and continued to apply simple decision rules (the scope of retail distribution networks and financial parameters) to evaluate the low commitment entry mode options. AlfaQAT also reached out to its external stakeholders to initiate exports to Europe. The sequence of its choice of host markets confirms the findings regarding the company's determined plans for internationalisation and reflects a sequential approach to internationalisation.

The analysis of GamaQAT's narratives includes two decisions after the initial internationalisation decision. The findings suggest that the company adopted a bounded rationality decision mode to decide on market entry to the UK and KSA. Although the company's plan explicitly targeted the UK, the actual entry was in response to an emergent opportunity secured through market research and the decision to capitalise on the management's familiarity with the UK business context. As for the company's subsequent decision to export to KSA, the market selection was also pre-determined, but the company's limited knowledge of the KSA context constrained the decision-makers' choice of alternatives.

**Table 8**

: Illustrative quotations — internationalisation process and successive market entries.

Case	Illustrative quotation
AlfaQAT	<p>‘KSA and Kuwait are on the target list; there are worthwhile opportunities in these markets. We participated in tradeshows and exhibitions to collate information and contacts’ (Managing Director)</p> <p>‘If you look at the appointments of our board you will see that we’ve carefully selected executives countries in the Gulf to capitalise on their expertise and we asked them to support our international plans’ (Chief Executive Officer)</p> <p>‘Freight cost and operational capacities were important criteria. The finance team quite rightly had to make sure it [the order] made financial sense’ (Exporting Director)</p> <p>‘We researched the market to identify them [partners] — we had to make sure we’d identified the right partners. I would say exporting to Kuwait made sense because we learnt from our businesses in the UAE’ (Exporting Manager)</p> <p>‘We never expected our relationship in Spain to be limited. We were hoping they would support us in other countries, but I would say that were not sharing the same growth aspirations. Luckily, [our] UK partner found us a good referral in Europe’ (Manager — International Markets)</p> <p>‘We were slow but we achieved steady growth. It was the right time for the US. We have presence in Europe and the UK. The US enabled us to tick the box that we were truly global; exactly where we want to be’ (Chief Executive Officer)</p>
GamaQAT	<p>‘We identified an opportunity through DinarStandard research and we thought ‘Why not pursue it? Let’s test the waters’. We approached them and they placed the order’ (Managing Director)</p> <p>‘The management team and the board members knew the business context in the UK; it was a matter of time before we’d do business there. It was planned from the start’ (Financial Controller)</p> <p>‘KSA and UAE were on top of our target markets ... they are the largest in the region, all the statistics indicate that they were our target markets’ (General Manager)</p>
BetaEGY	<p>‘The market research data gave a good indication of the size of the market in the UAE. We have put a plan for the sales and marketing team to target B2B. Team’s sales targets include a quota from the UAE’ (Director of Operations)</p> <p>‘If we export to KSA, it means that we are in the three major markets in the Gulf region, we are building a strategy for the next 5–7 years’ (Finance Director)</p>
OmegaEGY	<p>‘We targeted KSA because technical specs of the product will be the same for any orders sourced from there, and hence hassle-free, really, from an operational perspective and we tick a box in terms of growth’ (Assistant Manager — Exporting)</p> <p>‘We thought that a few clients every now and then from Kuwait will enable us to diversify sources of income and not rely on the UAE. It was just a thought when I said to myself ‘Why not look at your phone book?’’ (Sales Manager)</p> <p>‘He is an established trader, in business since the 1980s. We were after experienced partners, it made sense especially that we were not familiar with exporting documentation and other technical specification requirements’ (International Sales Manager)</p>

The analysis of the two cases of 'reactive' internationalisation in Egypt reveals the decision-makers' shift to the bounded rationality and incrementalism modes as they pursued successive market entry decisions. The successive market entries involved short- to medium-term planning, were goal-driven by growth and profitability parameters and the decision rules that the decision-makers applied to evaluate alternatives (see Table 7). For example, BetaEGY's discussion about a venture into the UAE reveals a path dependency approach following the identification of business opportunities through market research and establishes the company's long-term strategic planning for a regional presence. For OmegaEGY, the management decision to export to Kuwait was an incremental choice following the sales manager's capitalisation on existing contacts. Although the decision was unplanned, the company applied financial parameters as a selection criterion to decide on a prospective client. During the discussions that were held prior to the decision to export to KSA, the participants reflected on the pre-planning aspect and the decision criteria applied to evaluate the entry options. Table 8 lists illustrative quotations to support the above narratives.

We therefore could detect a rigorous criterion to evaluate entry mode decision. The incrementalism and rationality modes were observable through decision-makers' approach to path dependency (please see Table 7). Our analysis establishes that decision-makers laid plans with specific time frame since they consider time as a fundamental dimension of the decision making. Once the market potential was confirmed, the market entry decision was goal driven. Although the findings establish the widespread involvement of the most senior manager in making internationalisation decisions, other internal stakeholders such as chief financial officers, exporting managers were also brought to the decision-making table. The internal stakeholders influenced the international market entry decision in an array of ways. For example, the variant operational and non-operational experiences of participants, as established in the methodology section, helped to bring different perspectives to the decision-making process. However, while involvement suggests having a voice in what goes on, it does not specify whose voice is loudest. The present study therefore leans towards recognising the team's context on the CEO's decision-making (Liu et al., 2021). We detect consultation rather than coalition building. Team members applied factual arguments and rational evidence to evaluate international market entry options and hence gained legitimacy for their arguments. Decision-makers also reverted to compromising and bridging by applying numeric decision rules and objective assessment criteria. For example, AlfaQAT applied a decision rule to evaluate export orders to KSA that required each order to generate more than 35% profit margin after accounting for freight and handling costs and assessed prospective overseas retailers based on the number of their distribution outlets and years of experience. When deciding on exporting to Spain, although the team performed initial due diligence about prospective agents, they selected those who have had more than 10 years of experience in retail. Similarly, the management of GamaQAT applied a decision rule to accept exporting order that generate an excess of 25% profit margin and a full payment in less than 30 days while BetaEGY evaluation criteria were driven by the company's aspirations to export to three major markets in the Gulf region including KSA and UAE as long as the profit margin on each order exceeds 20% of gross sales.

As we further explored our data, we found that the occurrence of a crisis event, in the two contexts, was identified as a turning point that led decision-makers to adopt a bounded rationality decision mode. Decision-makers identified that increased uncertainty in the home markets after the blockade in June 2017 (in the case of Qatar) and the Arab Spring Uprising in January 2011 (in the case of Egypt) affects companies' short- and long-term plans.

In Qatar, the two cases continued to export to countries which were not affected by the blockade instead of identifying new markets and in doing so they followed the rational approach in their expansion decisions. For example: the international team in AlfaQAT planned long-term logistics contracts with freight forwarding agencies and focused on existing business relationships to expand the quantity and frequency of export orders. Further, AlfaQAT revised its business terms to extend payment tenures and offered discounted rates on large orders. It also reflected its long-term commitment to international business in the UK market by opening a representative office in London and recruiting a small team to offer support on the ground. Similarly, GamaQAT entered into a distribution agreement with a firm of French architects in southern France in an effort to sell the excess production capacity accumulated in the home base after the blockade. Our results therefore show that decision-making was pre-planned with an explicit focus to exploit existing markets to achieve pre-determined goals. Decision-makers did not evaluate new alternatives but rather looked at existing possibilities to undertake international growth decisions in a rational rather than reactive approach. The decision-making process involved deliberate relocation of resources to existing international markets to continue each company's internationalisation plans with a focus on exploitation rather than exploration.

**Table 9**

: Illustrative quotations — shift of decision modes after the crisis.

Case	Illustrative quotations
AlfaQAT	"Surely, we were eager to explore new markets, new countries but we had to manage our ambition, at least until we could see how things would settle, retracting our international transactions was not a choice" (Chief Executive Officer)
GamaQAT	"It was crucial that we negotiate the freight contracts to ensure our margins were not affected, and were revised, if needed" (Exporting Director)
BetaEGY	"It would not be smart to face many risks, abroad and even in your home base so we had to be reasonable and careful" (Managing Director)
	"It was crucial that we find a way to sell off what we had on the shelves. Of course we had to refrain from considering [an approach to] some of our neighbours, so expanding our existing business was the answer" (Director International Operations)
	"Everyone knew who our new friends are now. For example, participation in trade shows in Doha and Istanbul was facilitated. There was a trade mission every now and then" (Managing Partner)
	"It was a smart move: we've identified the subcontractors of our clients in KSA and UAE and approached them directly offering our products" (Financial Controller)
OmegaEGY	"Turkish trade commissions visited Egypt several times in 2013, leads were available, companies had to tap into them and grab what worked best for them" (General Manager)

**Table 10**  
Summary of decision modes during the four internationalisation events.

	Decision: initiating the internationalisation decision	Decision: the first host market	Decision: subsequent international market entries
AlfaQAT	Bounded rationality	Bounded rationality UAE (2002)	Bounded rationality (KSA, 2003) Bounded rationality (Kuwait, 2005) Incrementalism (Spain, 2010) Bounded rationality (USA, 2011) Incrementalism (France, 2015) Bounded rationality (UK, 2018)
GamaQAT	Bounded rationality	Bounded rationality (UAE, 2013)	Bounded rationality (UK, 2014) Bounded rationality (KSA, 2015) Bounded rationality (France, 2018)
BetaEGY	Reactive	Reactive bounded rationality (UK, 2008)	Bounded rationality (Kuwait, 2010) Bounded rationality (UAE, 2010) Bounded rationality (Turkey, 2013) Bounded rationality (KSA, 2014)
OmegaEGY	Reactive	Reactive bounded rationality (UAE, 2006)	Incrementalism (Kuwait, 2009) Bounded rationality (KSA, 2015)

Following the Arab Spring uprising, SMEs in the Egyptian context continued their international business transactions through the same low commitment entry mode of exporting. The decision to export was not the result of a chance improvisation. For BetaEGY, exporting to Turkey in 2013 was the result of the company's decision to target the Turkish market following the tightening of political and economic relationships after the Arab Spring uprising in 2011. Our examination of the narratives indicates that decision-makers identified potential opportunities and planned regular participation in trade shows and exhibitions organized by the Egyptian State Support Agency.

Further, the empirical evidence reflects that the two Egyptian cases did not base their exporting decisions following the crisis on intuition or imitating competitors' practices, but rather on rational calculations. For example, the decision-makers in BetaEGY mandated the international sales team to target qualified subcontractors to the company's existing clients in the UAE, Kuwait and KSA; built their offers around a quality assurance narrative and familiarity with product specifications. Decisions were goal driven and staff strove to increase sales turnover from international markets and the company's balance from foreign currencies. For example, BetaEGY laid objectives to increase international sales turnover from the Turkish markets by 5% in two years and 15% in three years. Similarly, OmegaEGY accounted for a 5% increase in international sales turnover from the Saudi market in the first year and budgeted for a 10% increase in two years. Table 9 provides illustrative quotations for the above narratives.

In sum, in response to the chaos, decision-makers identified specific plans of where they wish to take their international activities. They reduced uncertainty by making use of existing networks to continue the access to international markets rather than halting or reducing international venturing. Despite the recognition that during a crisis, it becomes difficult to undertake decisions due to distorted information flow, vulnerability, and lack of sense-making (Crick et al., 2020), evidence from our exploratory study indicates that decision-making was not based on heuristics and SMEs used existing repository of information from prior international experience. The narratives reflect management's continued commitment to internationalisation despite the occurrence of the crisis and no evidence of panic nor fear to paralyse the decision-making process. We conclude the findings section by presenting a summary of the decision modes identified for each case; namely, initiating a decision to internationalise (T0), the first host market entry mode (T1), subsequent international market entries (T + ×) in Table 10.

## 5. Discussion and conclusion

The purpose of this exploratory study is to elucidate the decision modes which SMEs adopt to decide on initial and subsequent international market entries. In doing so, we employed Child and Hsieh's (2014) framework to capture the decision modes of internationalising SMEs. The study responds to calls to include the temporal dimension in the internationalisation literature (Jones et al., 2011; Teagarden et al., 2018) and contributes to limited literature that scrutinises the decision process preceding foreign entries. In developing the knowledge contribution, the study identifies a hybrid mode that combines elements of the reactive and bounded rationality decision modes during unplanned internationalisation and, therefore, extends the platform of contingency analysis and supports the relevance of idiosyncrasies to strategic choice. Moreover, the study contributes to the emerging yet limited literature that examines decision-specific contexts, specifically, international market entry, and provides empirical evidence about the decision-making of Middle Eastern SMEs.

When unplanned internationalisation was observed, SMEs leveraged contingencies to exploit unexpected opportunities through a decision-making process that initially lacked a strategic or long-term focus, and was 'by chance', 'serendipitous', 'a coincidence', 'random', 'opportunistic' and 'non-systematic' (Gabrielsson and Gabrielsson, 2013). Although SMEs internationalisation was serendipitous, the decision-makers reacted positively to the emergent opportunity and applied rules to achieve goal-driven objectives through the evaluation of alternatives that eventually (following a low-commitment choice of entry mode) rendered exporting the preferred choice. While the internationalisation was unplanned, we do not detect emergent behaviour (Prashantham et al., 2019). The combined mode emerges when decision-makers apply decision rules to fulfil the contextual parameters and engage in evaluating and

comparing alternatives, although the pre-planning of the decision is minimal. We therefore propose:

**P1.** : In the context of unplanned internationalisation, decision-makers shift from a reactive mode to a hybrid reactive-bounded rationality decision mode to decide on their first international market entry.

The analysis of successive market entry decisions identifies that the explored SMEs exploited emerging contingencies and created new markets by applying a predictive logic and a rational calculation in advance of international commitment decisions. The SMEs scanned the environment to discover international opportunities and then applied analytical techniques to decide whether or not to pursue these opportunities. As decision-makers progressed to evaluate subsequent international market entries to solidify their intentions, they were directed by goals and identifiers to perform rational calculations before making international commitment decisions. The study detects a 'causal rational thinking' during SMEs successive market entries (Nummela et al., 2014) and the narratives reflect explicit goals at the beginning of and throughout the internationalisation process. The evidence does not reflect discussions about affordable risks that are based on heuristics (Prashantham et al., 2019). Although the decision-makers in the two contexts made decisions without having in place pre-determined goals, they identified objectives for each decision and adopted a decision-making logic that constitutes a clear rather than an intuitive or reactive basis for action (Petrou et al., 2020). The firms had planning processes in place where targets were set, and they emphasised financial control systems and the role of return calculations as a natural part of successive entries. With the potential effect of learning, decision-makers were able to move up the rationality curve and shift to the bounded rationality mode to decide on further market entries. The evidence fails to reflect goal ambiguity in the SMEs narratives but, rather, identifies that the decisions were goal-driven to satisfy the financial and operational targets and involved a choice among the existing ends rather than the generation of alternative goals.

The capture of the incremental and bounded rationality decision modes endorses the path dependency perspective shown in Child and Hsieh's (2014) framework. We ascertain the significance of rationality and weighing alternatives in the decision-making process, and report that the use of market research allowed a systematic analysis and the comparison of alternatives. The cross-case analysis does not report findings with regards to making a commitment in the host market in imitation of other SMEs nor does it reveal experimental activities (Kiss et al., 2020). The study, therefore, proposes that:

**P2.** : In the context of SMEs' internationalisation, SMEs adopt incremental and bounded rationality decision modes to pursue successive international market entry decisions.

As we further explore the study's findings, we capture the international market entry narratives after the occurrence of a political crisis in the home country. It is established that crisis events increase decision-maker's perception of uncertainty because they distort information flow (Dayan and Elbanna, 2011). Previous studies, mainly exploring large organisations, identify a negative relationship between the occurrence of a crisis and rationality in decision-making (Geppert et al., 2016). To simplify the international market entry challenge, decision-makers of internationalising SMEs often apply heuristics to simplify information processing requirements particularly when pursuing decisions under conditions of uncertainty. Similarly, the limited evidence from SMEs internationalisation literature establishes that under uncertain conditions, decision-makers tend to adopt heuristics and intuition rather than intensive rational approaches to explore and exploit international opportunities (Bingham and Eisenhardt, 2011; Hsieh et al. 2019).

Interestingly, our analysis of the internationalisation narratives in the two contexts indicates that SMEs shifted to a bounded rationality decision mode post the occurrence of the political crisis in the home market rather than having a hunch or intuition. For example, decision-makers searched among alternatives such as direct and indirect exporting, and then satisfied by electing an option that met specific decision rules that involved specific financial parameters, payment methods and tenures. They have also continued to involve others such as chief financial officers, exporting managers as well as the managing directors. Our exploratory study therefore extends the work of Child and Hsieh (2014) by identifying 'what decision modes SMEs adopt to decide on their international market entry post the occurrence of a political crisis in the home market'? This is a particularly important question in the Arab World given the fact that it is politically unstable and faces continuous crises since the Arab Spring in 2011 (United Nations Development Programme, 2016). Such crises have important and profound consequences for the decision modes which SMEs, in this troubled region, use when deciding on international market entries. Despite the recognition that crisis in general and the Arab Spring in particular have caused major changes in the region's business environment (Elbanna et al., 2020a), there remains scant literature that examines how the Arab Spring influenced organisations in general and SMEs in particular (Darendeli et al., 2020; Korbi et al., 2021). The study therefore formally recognizes the significance of turning points in influencing shifts in decision modes, although it is not possible to generalize the findings without further research and empirical testing (Yin, 2013). We concur with the view that increased political risks direct decision-makers to planning, rationality, and the narrowing of alternatives and postulate:

**P3.** : Post the occurrence of a political crisis in the home country, decision-makers shift to a bounded rationality decision mode to decide on international market entries.

To conclude, our study concurs with Child and Hsieh's (2014) classification of decision modes and expands their synthesis to signify the co-existence of reactive and rational decision modes during unplanned internationalisation. The study's findings make value-added contribution to the current thinking on SMEs internationalisation particularly in relation to unplanned approach to international market entry. The capture of reactive bounded rationality during serendipitous internationalisation extends scholars' extant views. We hope that the current insights be empirically validated in a wider quantitative based study given the likely contribution to the practice and the linkages this may have to internationalisation decision-making. We believe that the underlying assumption that SMEs adopt reactive intuitive decision modes during unplanned internationalisation has been made explicit in the extant literature, that possible theoretical extensions may be worth investigating. Given that research propositions are useful when questioning the fundamental

structure of a theoretical framework (Whetten, 1989), the findings of this study present novel theoretical propositions in the investigation of serendipitous internationalisation.

Our exploratory study contributes to decision-making literature post the occurrence of crisis and advances views towards a rational rather than reactive decision modes as standardly acknowledged in the extant literature (Shepherd and Rudd, 2014). Since political environment of a country can make or break many organisations (Sayegh et al., 2004), the strategic decision-making process in an organisation needs to be aligned with its external environment (Covin et al., 2001). Hence, SMEs facing turbulences, challenges, and changes in its political (external) environment, have a higher need to make rational decisions to help in smooth running of the firm. Rationality in such situations allows to making decisions in line with reason and logic in a given time frame (Elbanna and Child, 2007). Roberto (2004), for example, claims that it is important to make decisions with well-defined and stable set of criteria in times of a crisis based on real-time information by constantly scanning the environment. Legitimizing the decision-making process within the firm not only symbolizes rationality but allows for open-ended brainstorming, debates, agreement, and simplification of complex problems (Roberto, 2004). Thus keeping in mind all these factors, it is important that decision-makers, under political crisis, carefully gather and analyse information to ensure smooth functioning of their firms. We would also like to establish that despite the prominence given in the literature to the institutional context as a contingency variable that influences SMEs internationalisation (Petrou et al., 2020), limited attention has been given to the role of institutional crisis on decision-making (Korbi et al., 2021).

## 6. Limitations and implications

Despite its contributions, there are inevitably several limitations to this study, which may open the door to possible approaches in future research. First, our data is retrospective. We took measures to limit the retrospective bias by focusing on key internationalisation events, adopting an embedded approach to case study research (Yin, 2013) and creating event lists (Cassell and Symon, 2004). Future empirical research would benefit from employing a longitudinal design to help to examine the internalisation modes more precisely and identify any causal relationships.

Second, we focused on exporters since they were eligible recipients of government subsidies in the two contexts, so future research may explore SMEs adoption of different internationalisation modes. Third, the absence of decision outcomes in our study may limit its relevance for SMEs decision-makers. Therefore, future research is required to take this into account by incorporating different dimensions of decision' outcomes (Shepherd et al., 2020). In so doing, we need to ensure the careful alignment between the level of analysis and the outcome variable studied, e.g., a decision or an organisation (Shepherd et al., 2020).

Aside from the implications for future research that arise from the above-mentioned limitations, additional avenues should be highlighted. First, future research needs to explore the role of contextual factors on internationalisation decisions. For example, it would be interesting to examine how the characteristics of the decision-makers affect their perceptions and hence, the adopted decision mode. Are opportunities unlike threats regarding how they trigger internationalisation decision processes? Is there a relationship between organisation-level attributes, such as firm performance or slack resources, and the decision mode? Does firm size matter for the internationalisation decision mode? Does environmental complexity lead to decisions that are more rational? What is the role of network attachments in the context of internationalisation decision-making?

Second, there is a need to extend the current research, including the present study, to examine how internationalisation decisions are implemented and the role of the management team in deciding on internationalisation mode. This is particularly important given that implementation is the key factor causing decision failure (Nutt, 1999) along with the fact that we are unaware of any research on the implementation of internationalisation decisions (Elbanna et al., 2020b). Further, while exploring the role of the management team, future studies may differentiate between the standardly acknowledged assumption that the CEO is the lone decision-maker and rather than assuming that the CEO and the management team is an aggregate entity and further explore the role of the team's context. In the present study, we could establish that decision-making was a 'behaviourally integrated' team type, with high information sharing and joint decision-making (Hambrick, 1994). Third, future research could benefit from investigating large samples of SMEs and conducting a multivariate analysis to examine the propositions of this study empirically.

This study can provide the managers and owners of SMEs with several useful insights. First, a clear managerial implication pertains to the different decision modes which the managers of SMEs can use to decide on the international market entry and the fact that these modes evolve over time as SMEs progress through successive international market entries. Second, while rational approaches may be prone to fewer mistakes, the study identifies the significance of combining the rational approach with reactive approaches in the context of unplanned internationalisation decisions. Although internationalisation is often serendipitous, there may be a merit in responding to unplanned opportunities through a rational approach that set boundaries for managers to undertake the decision by evaluating alternatives, criteria, and the setting of goals. Third, with future research examining the linkages between the decision modes and outcomes in different contextual situations, we can help SMEs to better decide on the appropriate decision modes for each contextual situation, such as initiating the decision to internationalise and re-entering foreign markets. Fourth, our study also shows the importance of using the rational mode to make internationalisation decisions in situations of crisis, which can better help responding to the chaos associated with such circumstances and reducing uncertainty. In the study's context we could identify that during the crisis, decision-makers reverted to the exploitation rather than the exploration of existing opportunities to set clear objectives by coordinating referrals with existing international networks. New means were set to adapt to the crisis circumstances to enhance the prospects of international venturing. This work was not done through improvisation but through identifying goals and exploitation of existing relationships to evaluate alternatives by applying specific decision rules such as increasing targeted market shares over the short term to facilitate monitoring during the chaos of the crisis. These insights may prove to be useful for decision-makers strive to continue internationalisation plans in times of crisis.



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