

The Role of Munificence-Hostility on Decision-making Logic of Internationalising SMEs: A Comparative Study

Abstract

The study identifies and examines patterns in decision-making logics in the context of SME's internationalisation in munificent-hostile business environments. The study adopts a process approach to case study research, by examining 169 internationalisation decision events in four SMEs in two emerging economies; Qatar and Egypt. The study establishes that decision-makers employ hybrid decision-making logics and shift from one dominant logic to another. The shifts are explained by identifying the role of munificence-hostility in shaping SME's resource positions. We move beyond the classical convention that effectuation is a proactive and emergent way of dealing with uncertain environments and advance a hybrid perspective of causal and effectual logics in SME internationalisation decision-making. The study broadens current understandings on the drivers of effectuation and causation beyond the classical view which associates effectual decision-making logic to uncertainty and prior entrepreneurial experiences and provides grounded propositions for further empirical testing.

Keywords: internationalisation decision, munificence-hostility, SME, decision-making

INTRODUCTION

The strategic management and entrepreneurship literatures describe different approaches to decision-making in the face of hostility, which varies between stressing the significance of planning, control and other approaches which signify a more adaptive and flexible means to decision-making such as bricolage, improvisation and effectuation (Sarasvathy, 2001; Baker and Nelson, 2005). Although there is a voluminous literature on SME internationalization (see reviews by Jones et al., 2011, Terjesen et al., 2016), there remain limited analysis on the types of logics adopted during the internationalisation process and the investigation of the internationalisation as a ‘decision’ is fairly limited (Nummela et al., 2014; Elbanna et al. 2017).

The purpose of this study is to identify the decision-making logics decision-makers adopt in munificent and hostile business environments in the context of SME’s internationalisation. Munificence arises when resources are available and accessible to organizations in a particular business context (Castrogiovanni, 1991). We examine how SME’s decision-makers’ logics vary in response to SME’s ability to secure its resource needs in the home country. The research setting was the munificent context of the State of Qatar and a less-munificent and hostile context in Egypt. Both being under-researched contexts and hence the study responds to calls to contextualise the examination of internationalisation research (Zahra et al., 2014) and responds to calls for process-context fit studies (Elbanna et al., 2017).

The conflicting and limited research on how munificence-hostility affects SME’s internationalisation decision-making led us to an inductive study, which focuses on examining causation and effectuation (Sarasvathy, 2001) as examples of rational planning and flexible intuitive decision-making logics. As decision-making is context dependant (Elbanna and Child, 2007; Child et al. 2017), decision-makers are likely to shift from one logic to another or often combine the two logics (Read and Sarasvathy, 2005), therefore, a process approach investigating internationalisation events over a period of time was deemed useful to shed light on what decision-making logics are adopted under munificence-hostility conditions and why a particular logic is adopted over another. The study adopts a process approach (Langley, 1999) to address the following questions: what decision-making logic decision-makers in SMEs adopt under munificence and hostility conditions when they decide to internationalise? What are the antecedents of shifts in decision-making logic? To answer the research questions, we employ qualitative methods to analyse 169 decision events across 4 SMEs. By studying

patterns in SME's effectual and causal decision-making in depth over-time, the study establishes that decision-makers employ hybrid decision-making logics which shift from one dominant logic to another. We explain the shifts highlighting the role of decision-making perception of munificence-hostility dimension in affecting SME's resource position.

The study contributes to internationalisation and decision-making literatures by examining how the munificence-hostility dimension of business context affects SME's decision-making during SME's internationalisation process. In developing the knowledge contributions, the study advances current understanding of decision-making in SME internationalisation and add to the literature on decision-making under munificence-hostility conditions. The study identifies how SMEs combine effectual and causal logics in key decisions along their internationalisation process, rather than using one or the other logic exclusively. The empirical evidence establishes that SME's decision-makers' perception of the extent the external business is either hostile or munificent lead to shifts in decision-making logics.

The remainder of this article is organized as follows: First, an elaboration on the theoretical underpinnings is presented. Next, the research methodology is described. The empirical results are then presented. The penultimate section discusses the findings, and the implication to researchers and avenues for future research is presented in the last section.

THEORETICAL BACKGROUND

The normative approach to decision-making requires upper echelon executives to use rational approach to make informative decisions (Grant, 2003). On the other hand, the descriptive school of thought to decision-making theory articulates that "actual decisions flow from cognitive limitations, political process, routines and environmental constraints (Haley and Stumpf, 1989; p. 477). This school of thought departs from planned actions and is heuristics based (Quinn, 1980).

Over the past few decades, entrepreneurship research assumed that decision-makers within small entrepreneurial set ups adopt rational-goal driven behaviour (Perry et al., 2012); recently a parallel school of thought emerged to examine effectuation (Alsos et al., 2016). Causation and effectuation therefore represents two distinct frameworks, while the first focuses on planned and rational normative approach, the later adopts a flexible and experimental strategies (Fisher, 2012). Effectuation logic has its root in cognitive science (Chandler et al.,

2011) while causal approach emanates from the principles of neo-classical economics which advocates rational behaviour (Stigler, 1956).

Several factors affect the internationalization of firms which include uncertainty, competitiveness factors as well as resource deficiencies and differences in capabilities (Yalya et al., 2019). These conditions affect the decision-makers' perceptions in making internationalization decisions. The effectuation theatrical lens has been recently applied to examine the internationalisation-de internationalisation of ventures (Crick et al., 2018) and in examining antecedents to internationalization speed (Prashantham et al., 2019). Existing studies on internationalising firms are underpinned by effectuation approach, for example the discussions on networks and how entrepreneurs leverage the capabilities of start-ups through 'what' they know and 'who' they know (Anderson and Warren, 2014; Yang and Gabrielsson, 2017). It has been long acknowledged that during the internationalisation process decision-makers decide and action decisions in the face of uncertainty, liability of smallness and foreignness in international markets (Sarasvathy, 2001). Existing literatures provides limited and contradicting views of how decision-makers in SMEs undertake decisions (see review by Terjesen et al., 2016; Elbanna et al., 2017) and the focus has been on examining decisions under conditions of hostility when organisations are challenged to secure resources and information from the external context (Hammond, 2000). Scholars therefore call for a better understanding of the decision-making tools in management literature in general and SME literature in particular (Elbanna et al., 2017; Stoain et al., 2017).

It is established that the pursuit of internationalisation opportunities requires decision-makers to assess their ventures access to resources (Wiklund and Shepherd, 2005) as decision-makers act as an anchor between the environment and their organisations (Weick 1988). Dickson et al. (1997) classically argued that access to financial resources enable resource intensive expansion strategies and effectual behaviour. The institutional support SMEs receives influences ease of doing business and through institutions, specific mechanisms and structures are in place to influence SME's growth beyond domestic home countries (Peng et al., 2009; Finchelstein, 2017). The study uses insights from resource theorising (Barney et al. 2011) and institutional theory (Scott, 2005) to argue that decision-makers' perception of the resource positions of their ventures influences decision-making logics.

METHODOLOGY

Research setting and approach

The study adopts a qualitative case study design through a process research approach (Langley, 1999) to analyse 4 SMEs in depth, through an embedded approach to case study design interviewing 18 members of the middle and top management teams, which allowed for in-depth and holistic understanding of the phenomenon (Yin, 2013). The present study documents the internationalisation process as a sequence of decision events that describes how things changed overtime (Jones and Coviello, 2005; Van De Ven, 2007) to analyse a list of decision events for decision-makers' use of effectual and causal decision-making logics and examining the role of munificence-hostility in triggering the adoption of either or both logics. The multiple case study design facilitated within-case variation over time and cross-case variation (Gollier, 2011).

Multiple case study design offers the advantage over single-case or ethnographic studies, allowing for a balance between having a rich and detailed insight and the ability to identify recurring patterns and themes. Since effectuation has been recognized as a nascent theory, qualitative methodology is appropriate for this stage of the theory development (Edmondson and McManus 2007). The present study adopts an embedded approach to case study design (Yin, 2013) to avoid bias which result from relying on the single perspective (Nummela et al., 2014). **The study interviewed 18 participants from 4 SMEs and explored 169 internationalisation events.** Furthermore, the qualitative multiple case study design provided a contextualised insight on how and why decision-makers adopted specific decision-making logic. Attention to detail, nuance, and interdependency provides a holistic perspective on the phenomenon being studied, and reveals a comprehensive picture of its nature in totality (Verschuren 2003). In addition, it is a strong methodological strategy for the research of sparsely investigated issues and theory development (Eisenhardt 1989; Eisenhardt and Graebner 2007). The nature of the study is inductive as it does not intend to test any new propositions or hypotheses, but rather aims to extend the extant theory of causation-effectuation.

The research setting involved well-established internationalising SMEs operating in two contexts that contrast in their level of economic and institutional development; Egypt and Qatar. This setting offers several advantages. It provides a strong basis for comparing resource abundant/scarcity conditions and facilitates examining decision-makers' responses to resource

to munificence-hostility conditions. Moreover, the two countries exhibit similar cultural values and norms and are located in the Arab cultural cluster (Ronen and Shenkar, 2013). The study responds to calls for more entrepreneurship research in under-researched context (Wales et al, 2013).

To shed a brief overview of the two national contexts, Qatar is the wealthiest state in the Gulf region and the world, with the highest per capita of approximately USD 125,000 (World Bank, 2015) and is one of the top expanding emerging economies, recent economic reports indicates that Qatar is undergoing an aggressive strategy to expand the SME sector in order to diversify its economy away from the hydrocarbon revenues, the Qatari government invested an amount in excess of USD 850MM to establish new industrial zones and extend start-up grants and subsidies to eligible national SMEs (IMF, 2018). By contrast, although Egypt is considered a cradle of civilisation, since the fall of the former regime in 2011, it has experienced a drastic fall in both foreign investment and tourism revenues, followed by a 60% drop in foreign exchange reserves, a 3% drop in growth, and a rapid devaluation of the local currency. Economic conditions started to improve, after a period of stagnation, due to the adoption of more liberal economic policies and stable political conditions following the fall of Muslim brotherhood ruling in 2014. In its annual report, the International Monetary Fund (IMF) has rated Egypt as one of the top countries in the world undertaking economic reforms which included a dramatic slashing of customs and tariffs and a revised taxation law to decrease corporate taxes from 40% to the current 20%.

The purposeful sample provided a set of organisations that met certain criteria. These were, firstly, size (the firm selected should employ between 10 and 250 employees) and its turnover (not larger than EUR 50 mln) to ensure it falls into the EU SME category (European Commission, 2015). Table 1 provides an overview of the sampled cases and Table 2 provide a short description of sampled cases.

Table1: Overview Sampled Cases

	AlfaQAT	GamaQAT	BetaEGY	OmegaEGY
Established	1998	2010	1990	2004
Industry	Garments	Candles	Textiles	Electrical Boards
Number of employees	100	55	85	150
Annual turnover (USD) - 2016	USD 8 MM	USD 3MM	USD 5 MM	USD 8MM
Internationalisation mode	Exporting Franchising	Exporting	Exporting	Exporting
International Markets	UAE, KSA, Kuwait, UK, Spain, USA, France and Ireland	UK	UK, Kuwait, UAE, KSA, Turkey and Russia	UAE Kuwait KSA
Government loan/amount	Yes/ USD 5MM	Yes / USD 1MM	Yes / USD 100k	Yes/USD 250k
Land grant	✓	✓	✗	✗
Manufacturing subsidies	✓	✓	✗	✗
Period covered	2002-2016	2012-2018	2008-2014	2006-2016
Number of interviews	9	8	4	9
No of events covered	50	38	45	36
No of participants: Middle and Top level members	6	3	7	5
First Internationalisation Decision	2002	2012	2008	2006

Table 2: Short case descriptions

AlfaQAT: founded in 1998 by the late father of the existing partners to manufacture garments. The company's vision revolves around developing a Qatari brand in international markets; it adopts long term orientation to penetrate several international markets offering quality products at competitive prices. The company can afford a small profit margin given the low sunk overhead cost they incur while operating within the government's subsidies scheme to SME national exporters. The company owns two factories, which are built on government land-grant plots, additionally, as recipient of government subsidies; the company pays minimal tariffs for water and electricity and receives import and export exemption tariffs. The company first exporting order was in 2001 to UAE following participation in government's organized tradeshow. The company strictly follows the government's vision to be national exporters; they are able to enact their international plans given the excess production capacity produced by the two factories and the small domestic market size. The company adopts a long term orientation, penetrating export markets by offering competitive prices and quality. They could afford a small profit margin given the low sunk overhead costs they incur while operating their factories. The low sunk cost was the result of receiving the government's financial subsidies to operate their factories as earlier identified. The company is managed by team members who mostly have been with the company since its establishment. The company has been incurring extra transportation costs to export their products following the Gulf boycott in 2016.

BETAEGY: a well-established SME since 1992, its vision anchors on being a leading manufacturer of textiles. The company started to consider exporting plans in 2005 and strives to enter the cotton agriculture business in a large scale. To date, the plan has not been materialised due to limited funding from private banks and government's state banks and the company's limited resources to spare buffer funds to expand the company's activities beyond manufacturing. Additionally, the company reported that the activity was exclusively monopolised by the government until 2002 and following the privatization, the activity remains dominated by few players in the market. By way of background, the founder's family has been in the cotton planting and trading business since the 1940s. The family business was nationalised following the Egyptian revolution in 1952. In the 1980s during the initial economic liberation of Egypt, the family gradually rebuilt its business empire through trading in raw cotton with few clients from India and Switzerland and eventually established a trading in 1992 and then added manufacturing activities in 1995 following its success in acquiring a small factory from the government during the privatization scheme. The company's plans for internationalisation were confined to exporting the raw Egyptian crop as intermediary between growers and clients since they had established contacts overseas. Until 2004, domestic clients kept the production floor running at full capacity, as more companies entered the market following the liberation of investment rules, competition intensified and the company started to consider exporting to maintain positive financial performance. They relied on personal and individual initiatives to secure leads and client's referrals.

The company's first exporting order was in 2006 to the US, subsequent early exporting orders were through referrals and participation in networking events. Following Jan 2011 political uprising, the company continues to capitalise on every potential referral or network connections either in the domestic or international markets to expand the business pipeline. Although the political and economic conditions established in Egypt following the fall of Muslim brotherhood in 2013, the company's efforts to expand exporting activities remains sporadic relying on referrals, however, they extensively participate in annual periodic trade exhibition especially in the UK given the demand for products made from Egyptian cotton and have started to systematically short list potential collaboration to manufacture towels to large retailers in the UK under the retailer's brand names.

GammaQAT: founded in 2010 by a female entrepreneur, the company owns a factory founded by grant funds to manufacture classic and LED candles with calligraphy designs. The company started its domestic and international operation in parallel. The company launched a roadshow in Europe to introduce and market their designs. They identified a niche market which is Arab and Expatriate population based in the UK and Europe. An international division manager was hired who had prior experience launching retail home accessories range in the UK. The company secured its first order in 2011 in the UK and then followed by finalising a consignment sales order in France, Poland and Spain. The entrepreneur negotiated an additional deal with the Country's sovereign fund which owns a luxury retail department store in London to supply the products for display there on quarterly basis. After successfully establishing an initial brand, and progressing on exporting and consignment business over the past 7 years, the company continues to focus on existing international markets and does not have plans to further expand into new markets. They have secured additional contracts in the UK and France through informal referrals. Although the company internationalised from their early operations through online shopping platform continues, they reduced the number of online shopping platforms they sell to 2 from 8 previously.

OmegaEGY: founded in 2004 by Ex-military engineer, the company manufactures electro-mechanical boards to a large multinational electrical company that has been operating in Egypt since the 1990s. The general manager of the multinational is a personal contact to the founder and once the engineer took an early retirement

package, and established his own company in one of Egypt's industrial zone, he mandated him with the company's design and manufacturing of electro-mechanical boards for use in CNC machines. The company's client's book included as well few additional clients, but the main order stream was secured from the multinational. The management recognized the risk of their business model but did not formulate plans to address the issue. To diversify their risk, the founder started to expand their client base in the domestic market, one of the new clients suggested exporting to the subsidiary in UAE, the initiative was well received. The company continued its exporting to few clients in the UAE and Saudi Arabia following systematic market research. They actively now participate in annual trade shows in all countries of the gulf. To enable expansion of its production capacity, the company explored the option of applying for a syndication loan with government's state bank and a private institution to upgrade its production machinery, the loan facility was approved and released in 2013 and full automation was successfully introduced in 2014.

Both company's records and personal interviews were collected and used as data sources. The study started with data from secondary sources (Loane et al., 2006) and then conducted semi-structured interviews with multiple participants in each case by following the key informant approach; the participants were identified by the senior decision-maker in each SME as those who are directly involved in the planning and implementation of the organisation's internationalisation decisions. Data triangulation was achieved by comparing information obtained during the interviews with information from the secondary sources and adopting an embedded case study research design (Huber and Power, 1985). The data analysis followed a qualitative, iterative and inductive content analysis approach (Corbin and Strauss, 1990; Gioia et al., 2013). The textual data was interpreted through systematic coding and identifying of themes and patterns. For each of the 4 cases, interview transcripts were read carefully to familiarise ourselves with the data. The analysis was complemented with field notes and secondary data in the case descriptions (Miles and Huberman, 1994).

Data coding and analysis

The data was coded in two stages: first, a list of internationalisation events for each SME case was created, and then each of the events was coded for decision-maker's adoption of effectual or causal logic. Decision events were defined as actions or decisions taken by the senior management team to implement their internationalisation decision. Therefore, events were identified taken into account the perspective and intentionality of the management team. Examples include: introducing the company's product to new international market, deciding on internationalisation mode, selection of distributors, approval of clients, identification of partners and international markets to serve. Although it is established that individuals recall significant events correctly (Chell, 2004), we have attempted to mitigate potential retrospective bias by adopting embedded approach interviewing multiple key informants (Huber and Power, 1985). Therefore, lapses by the senior decision-maker were likely to be offset by other

participants/informants (Golden, 1992). The time of occurrence of each event was recorded; consequently, a list of chronologically ordered events was compiled for each case to ensure particularity and accuracy (Belli, 1998). NVivo10 software was used; Table 1 identifies the number of decision events examined in each case. Decision events indicate how things change over time (Van De Van, 2007) in sequence (Langley, 1999), the study examined 169 events.

The present research follows Sarasvathy et al. (2008), Dew et al. (2009) and Chandler et al. (2011) in differentiating between effectuation and causation on four dimensions. Please refer to **Table 3** for coding exemplars. The coding scheme included two theoretical categories; effectuation and causation based on effectuation theory and each category included four dimensions. The events identified for each SME case were coded based on the primary interview data and supplementary data provided by the SME, to perform within-case analysis, the event sequences were analysed in depth by following a process research procedure (Langley, 2009).

RESULTS

Within-case and cross-case variations: Effectual and causal decision-making logics

The present study explored both within-case and cross-case variations in decision-making logics in the context of SME’s internationalisation decisions. Table 3 indicates that all cases used both effectual and causal decision-making logics over the period their internationalisation decisions were examined.

Table 3: Decision-making logics dimensions by case

Case	Number of effectuation dimensions coded	Number of causation dimensions coded
AlfaQAT	57	40
BetaEGY	26	37
GammaQAT	24	43
OmegaEGY	36	41

Studies standardly focus on the influence of uncertainty and entrepreneur’s experience on adopting effectual-causation logics (Sarasvathy et al., 2008; Dew et al., 2009; Townsend et al., 2018), the present study attempts to examine the influence of SME’s exposure to munificence-hostility dimensions (the extent to which an SME is able to secure its resource needs from the external business context) on the decision’s maker’s choice of which logic to

adopt when they decide upon their internationalisation decisions. The key sources of munificence included SME's ability to secure its resource needs to materialise on its internationalisation plans as a result of receiving generous manufacturing subsidies from the institutional context. Hostility on the other hand emerged as SMEs struggled to secure their resource needs as they tended to rely on founder's limited resources to realise their survival and growth plans. Additionally, SMEs operating in hostile context encountered institutional voids and unstable political and economic conditions which magnified hostility when evaluating decision alternatives.

To investigate within-case variations, we examined the use of effectual and causal decision-making logics over SME's internationalisation. Overall, in munificent context, decision-makers adopted causation most dominantly in the initial and early days of their internationalisation as they were mandated to internationalise to support the Country's national vision and strictly complied with the government's international orientation. As SMEs gained experiential knowledge and progressed through their internationalisation ventures overtime, they reverted to effectual logic to safeguard the granted benefits. Decision-makers reverted to bricolage behaviour to make do with the alternative available. For SMEs operating in less munificent-hostile business context, the situation was reversed. The analysis of cross-case variation indicates that SME's initial resource position was associated with differences in the use of causation and effectuation across the sampled cases.

Munificence, internationalisation decisions and decision-making logics

Munificence-hostility dimension emerged as key influence on SME's use of effectual and causal decision-making during the internationalisation process. Table 4 presents examples of coding structure and exemplary decision events.

Table 4: Coding structure and examples of decision events

Empirical indicators	Exemplary decision events
Effectuation logic – SME is means oriented when taking actions	
Building on entrepreneur’s domestic network relationships and existing international contacts	AlfaQAT decides to use existing client base in Dubai of UAE to informally introduce them to other clients in Abu Dhabi and other northern emirates. The company is reluctant to hire a dedicated regional sales manager to cover the UAE market following the increasing orders from the Dubai market (2009)
	GammaQAT capitalize on sister’s company contact database to initiate introductory test batches in the French market. CEO initiates dialogue while on a personal trip to Paris (2016).
Defining a wide vision of expanding overseas – no particular time-bound plans are in place	BetaEGY is aware that the company must export to face domestic challenges and intense competition in the home market – no formal plans in place to participate in international trade exhibitions. Informal and occasional discussions with personal contacts of the CEO and the CFO in Germany (2009).
	OmegaEGY. As profit margin tightens in domestic market, the company aims to export to achieve its profit targets. The company hopes to start by exporting to UAE as previously they were subcontractor to a company there, KSA is a second choice. No formal plans in place, exporting agenda is to be managed by the CEO, no formal plans to hire an exporting manager in the early days. The company declines to participate in Expo trade exhibitions to save cost. CFO recommends that the CEO actively initiate dialogues with informal contacts in domestic markets requesting their assistance for international referrals. The Company contacts ex-employee who used to work in their sales team, requesting his assistance by referring international clients. Ex-employee is working in multinational in UAE (2007).
Personal preferences dominates decision-making	AlfaQAT reject a franchise opportunity in Kuwait due to misalignment of values and understandings with the partner. CFO recommendation is to proceed with the franchise agreement, CEO and board decline the opportunity (2011).
Effectuation: Leverage unexpected events	
Reacting to unforeseen developments positively	BetaEGY changed their focus from agriculture to manufacturing business following their inability to penetrate the cotton manufacturing business in the early 2000s; they re-channel investment funds to upgrade the factory – investment amount increases from USD 300k to USD 500 (2008).
Change of plans to adapt to unforeseen circumstances	GamaQAT: Following 2016 bricolage, the company transportation costs rocket mount, the company decides to reduce

	its presence on on-line shopping platforms to negotiate favor rates with logistic companies (2016).
Incorporating un-expected feedback to revise plans	OmegaEGY decides to accept local client's offer to export to UAE following client's recommendation to refer the company to a sister company operating in UAE free zone, the CEO accepts his client advice to test the water by accepting one-off decision (2007).
Effectuation: Attitude towards outsiders/business partners	
Sharing product attributes with potential clients	GamaQAT shares company's designs with buyers from flagship stores in UK without signing NDA agreement. Company is at risk of others copying designs. The CEO and management team are comfortable to proceed, they attribute their decision to building initial trust and exhibition of commitment towards the potential clients (2015).
Co-create business with stakeholders	OmegaEGY offers its business partner in the free zone of Jebel Ali the opportunity to manufacture electric-motherboard at competitive price to capture a bigger share of business with them. As the company specialization is not in motherboard technology, the company decides to send 2 of their engineers for training in Hong Kong if they secure the new orders (2007).
Effectuation: Affordable loss towards risk and resources	
Willingness to incur affordable loss to ensure internationalization success	BetaEGY CEO family injects additional capital from personal wealth in the company following January 2011 political uprising to streamline company's existing business and payment of export tariffs. The contributed additional capital is confined to 10% of the company's initial paid up capital (2011)
	AlfaQAT conclude exporting contact with a prominent distributor in Kuwait for 3 years at nearly 5% profit margin to penetrate the market in Kuwait since it is a central commercial hub in the region. The profit margin is extremely low; the board of directors raises concerns over tight cash flow in the future (2010).
Trying to securing unclaimed funds/resources from the environment	OmegaEGY apply for government's subsidies as an eligible applicant following its incorporation. The process to secure the subsidy is long and bureaucratic and entails submitting a bank guarantee in favor of the government's exporting bank in the amount of USD 50k (2005).
Limited growth expectations	BetaEGY search for small exporting orders in Lebanon, Kuwait and KSA to supply its products to 'test the waters and appetite' for its products (2008-2009).
	AlfaQAT does not undertake any marketing or expansion of business in KSA as they are content with their risk exposure and

	profit contributions from the Saudi market. The Board and senior management are 'content' with the company's activity in KSA (2013).
Causation: goal oriented is the basis for taking action	
Clear and precise vision and plans in place to support internationalization from early day of incorporation	AlfaQAT realizes that the small domestic market will not be sufficient to enable to fully exploit and utilize the built in production capacity. The company owns two factories; combined capacity is 350-400k pieces per quarter. The company recruits an exporting manager from KSA upon the recommendation of the production operations manager in Year1 after incorporation. AlfaQAT communication to potential new hires of senior management team that the company supports the country's national vision for national producers to be exporters (2002-2003).
	GamaQAT designs its online sales platform, test it and fully launch it extending 10% discount on international orders 3 months after launching its business activity. The company participates in National exhibition, the founding CEO being a recognized female executive present company's vision and plans to expand in the UK, Europe and the US (2012).
Plan international projects, analyze market goals.	OmegaEGY prepares detailed financial plans with two private banks to hedge its currency risk position following the award of the 1 year exporting contract from Dubai (2014).
	BetaEGY, the company targets Cyprus and Greece as potential markets following a successful introduction at Expo exhibition. The company revises product/material composition to comply with EU regulation about cotton fabric compositions. Production manager confirms no additional cost to revising the product (2014)
Evaluation of progress and periodic feedback	BetaEGY decides to drop exporting to Lebanon following Jan 2011 given the minimum contribution to company's overall profit margin and the necessity to save on foreign exchange (2013).
	GamaQAT organizes prelaunch focus groups in the UK to provide a previous of their designs. Reports are carefully reviewed and assessed for minor modification in packing and price following recommendation prior to launching the product in the UK (2012)
Searching and selecting of partners and modes based on predefined plans	AlfaQAT decides on starting with UAE, Bahrain and Kuwait markets as initial test markets to increase its internationalization experiential knowledge of exporting markets and customer's preferences. The reason for selecting the three markets to penetrate in 3-4 years from beginning its operations/manufacturing activity is that they are commercial hub markets in the gulf region (2003)

Causation: Avoiding unexpected events	
Aiming to control the environment for potential adversaries	OmegaEGY procures buffer materials once an exporting order is secured. The CFO actively monitors costs but the advantage of minimizing the potential of delays outweighs the increased costs (2014).
	BetaEGY supply chain is coordinated with local and foreign suppliers to minimize disruption to production process, especially if the company is running its manufacturing capacity to fulfil an exporting order. The company procures raw material cotton from 4 different suppliers in different regions in Egypt (2012-2013)
Drawing back from projects or revert to back up plans in case of unforeseen circumstances	AlfaQAT decides to withdraw from its contract to export to Turkey following trademark dispute with one of the distributors in Istanbul; the company's management agrees to incur the financial obligation as a result of dishonoring the contract rather than pursuing an arbitration case. (2005)
Causation: attitudes towards business outsiders and stakeholders: Competitive analysis and due diligence about potential collaborations	
Systematic market research	OmegaEGY capitalized on acquired experience and existing clients in UAE to identify electro-mechanical sub-contractors in the oil and gas sector in Abu Dhabi (2014)
	GamaQAT appoints marketing agency in the UK to assess income spend by households in East, South and North London prior to deciding on its retail price (2013)
Creating IP strategy	BetaEGY decides to register its trademark in Egypt and UK to prepare for its exporting to the UK (2012)
	AlfaQAT and GamaQAT both register their trademarks at the same time of registering their commercial licenses with the Chamber of Commerce in Qatar. As recipients of government's funding and subsidies, the filling is mandatory (1998; 2010)
Acquiring resources through contract based agreements with business partners	AlfaQAT establish 3 years' contract with its supplier from China and India to guarantee un-interrupted supply of raw materials (2004-2005)
	OmegaEGY finalize currency buying forward contracts with a financial institutions to hedge against currency fluctuations for the purpose of opening bank guarantees and letters of credits (2010)
Causation: view of risk: calculation of expected benefits and returns	
Development in big steps and large sums	AlfaQAT initial investment in machinery for the first factory was in excess of USD 1MM (1999), the company thereafter applied for another plot of land grant and undertook a commitment with Government's funding agency to establish a comparable

	manufacturing facility in 3 years with initial investment of USD 1.5MM (2002 & 2003)
	OmegaEGY, despite Country's unstable political condition, the company secures USD 150k to upgrade its CNC machinery to improve quality control and reduce defects of its electrical board to accommodate ISO certification standards (2012).
Search for stakeholders that can execute and commit	GamaQAT undertook two decisions to appoint two members to its board of directors. The objective was to enhance company's external image and international prospects. The first appointment was of a prominent female business executive who runs her father's Holding conglomerate to capitalize on her established business contacts and experiences (2013). The CEO make un-usual business decision to appoint a fashion/lifestyle blogger seeking input on their social-medial marketing campaign as a spokesperson-marketing media manager (2014).
	BetaEGY, following the successful exporting orders to UAE, the company commit to engage in Dubai Expo 2020. Although the fee was relatively expensive, the company saw a merit in participating to ensure commitment to its UAE business partners and hopes to secure additional referrals and contacts (2016).

Munificence led SMEs to mostly adopt causation during the early days of their internationalisation. The AlfaQAT case illustrates how munificence is associated with adopting causation logic in the early years of internationalisation then a shift to effectuation-intuition. The causal logic initially enabled the entrepreneur and team members to formulate clear goals and their efforts were strategically targeted at selecting and attracting the means to reach that goal, such as hiring team members with the required expertise, protecting trademark, negotiating contracts to secure long-term exporting orders and subsequently negotiating contracts with suppliers. These goals and directed activities explain the observed increase in causal logic in the early years of SME's internationalisation. As explained by the founder of AlfaQAT, they took goal-oriented decisions to hire executives with prior international experience in the UK to launch their products in a period agreed with their international client. The founder recounted to say:

“This is what we will do, it is my dream, my project, I am investing the money to launch the customised range in the UK, hence, we need someone who is experienced to take care of all the logistics, someone who knows how to do business there”.

After earning experiential knowledge in exporting and operating in international markets for 4 years using causation as the dominant logic and to capitalise on realised success,

AlfaQAT founder started to explore alternative partners and new markets options deploying existing contacts, relying on effectual logic - focusing on the means rather than pre-set objectives. Effectuation gradually started to be the dominant logic in subsequent decisions to expand their markets and distributors. One of the executives reflected on this point and said:

“we started looking at alternative clients and expanding our markets, we looked at possibilities, I can’t say we had formal plans in mind, I think basically what we tried to do is to make the best of our available options....eventually, we just really tried all the possible options and alternatives, after all, we have been in business for a while and knew what we are doing, we achieved success, we are operating under the umbrella of the exporters’ subsidy scheme, we can’t really afford to go wrong”.

AlfaQAT at a specific point of time encountered a turning point when causal logic started to diminish in favour of effectual logic where they relied on experimentation to leverage existing contacts to penetrate new international markets. Following a casual time for some time enabled the SME to expand its existing knowledge and experience of internationalisation, the increased knowledge could thereafter be deployed to enable the same SME to adopt effectuation logic later on. Adopting causal model after some time helps firms to get experience and knowledge to be used as a basis for effectuation later on. By contrast, operating in a hostile context led to SME’s adopting effectual logic in the early years of their internationalisation and then turning to causal logic. Effectual logic acted as a shield to encounter hostility contexts and as SMEs accrued benefits, they reverted to risk-averse causal-rational logic to preserve the accrued benefits. Table 4 provides further examples of exemplar decisions taken along the period examined and Table 5 identifies the turning points for each of the explored cases.

Table 5: Analysis of Turning Points

Case	Turning Point	Condition preceding the turning point	Internationalization decision	Shifts in decision-making logic
AlfaQAT	2008	High environment munificence: company just applied for the semi-annual drawdown from the government. All inspection checks on HSE are finalized and approved; the company renewed its subsidized utility rates with local providers. High perceived resource position of the company : the company positive cash flow continue as a result of the	Following participation in trade-show in the US, the company considers exploring the US market to expand its international client base.	<i>Re-shift from causation to effectuation:</i> Company explores ways to secure exporting orders from the US. Management team decides to request international team to conduct

		regular flow of business orders from KSA, Kuwait and UAE		follow ups by emails. No formal deadline or targets in place. The OPEX budget does not include investment expenditures in market research or extensive travel to the US.
BetaEGY	2012	High environmental hostility: the tough competition in the domestic market coupled with increased corruption, bureaucratic voids threaten company's plans to export. The CFO assures management of favorable expectations given stable and limited USD-currency fluctuation. The company is confident in its goodwill and experience – it is recognized as one of the leading exporters of textiles from Egypt. Company teams up with government's international investment authority to have 3 graduate internships in the company.	The company negotiating an offer to manufacture towels to retailer in the UK.	<i>Re-shift from effectuation to causation:</i> Company invests to upgrade one of the production lines. The company files paperwork to register product's technical specification and appoints a legal consultant to advise the company on UK textile labelling regulations.
GamaQAT	2015	High environmental munificence: The company is content with the business results achieved to date. positive cash flows qualify the company for securing a corporate loan from one of the private institutions, the company intends to use the local to purchase wax melting furnaces with increased capacities to reduce production downtimes.	The company reacts to a potential Kuwaiti referral to export to Kuwait. The client requests fixed batches on quarterly basis	<i>Re-shift from effectuation to causation:</i> The management team confident in their experience and product profile finalizes the deal – sales pitch highlight sales figures in the UK (over the past 3 years). No formal due diligence in place about the Kuwaiti company. The company is a personal referral

				through one of the board members.
OmegaEGY	2010	High environmental hostility: although the company's exporting is generating positive cash flows, the company's payment of interest on its loans and high fixed costs is a challenge.	The company evaluates an offer from a Chinese partner to manufacture subcomponent of CNC board	<i>Re-shift from effectuation to causation:</i> The company is tempted to accept the offer; CFO perform detailed analysis and decides to reject the order due to tight delivery time and low profit margin.

Changes in entrepreneur's and management team perception of environmental munificence lead to changes in decision-making logics during SME's internationalisation process. Decision makers adopted a casual logic to exploit alternative options when the business environment was less hostile and munificent. Decreases in perceived munificence and increased sense of hostility led decision-makers to adopt effectual logic and exploration of internationalization options without specific clear vision or pre-determined targets. Perceptions of resource position during internationalisation triggered a change of decision-making logics. Resource positions was influenced by access to government's financial subsidies which created perceived munificence conditions, therefore, decision-makers initially adopted causal logic to implement pre-determined internationalisation plans, and as they progressed and developed as experienced exporters, concerns over continuing receiving the subsidies caused a shift towards effectual logic to explore potential opportunities, one executive outlined:

".... after all, we are recipient of subsidies, we have easy access to resources in terms of subsidies for utilities running our factories, but we have to be careful, after a while, you know the inside-out of the game, you know your way around exporting and basically you start to deploy what you have to achieve what you want"

A major resource position led SMEs to initially adopt causal logic to implement plans to be national exporters to support the country's national vision/international orientation. Similarly, as SMEs struggled with limited resource positions in the Egyptian context, they adopted effectual logic in the early days of their internationalisation to alternative internationalisation loose-end strategies, as one executive explained in BetaEGY:

“...there were days in 2011 when we had barely enough money in the accounts to pay the workers on the production floor, we encountered shortage in paying employees, so we said, how can we generate alternative income and how can we reduce our cost, we looked at both and as the domestic market was miserable, then we had to export but how.... We had to find a way, so started talking to contacts – everyone we knew, even an X-employee we previously employed who moved to Dubai”

Government extension of generous subsidies reduced founder’s perceived sense of hostility and resource encounters for their SMEs, this in turn fed into the decision to adopt causation and then switches to effectuation. Munificence-hostility dimensions of the external context are thus part of an integrated explanation for the dynamics in the use of effectuation and causation logics in the context of SME internationalisation.

The present study synthesises explanations for the shift in the adoption of decision-making logics over time during SME internationalisation and proposes that the shifts were driven by munificence-hostility contexts and the resultant resource position at a certain point of time. The results establish that decision-makers employed causation and effectuation logic in the context of their internationalisation, however, the adoption of particular logic over another depended on their resource position and the perception of environmental munificence-hostility during internationalisation. In munificent context, decision-makers firstly adopted causation logic and a rational systematic approach, they started with a planned internationalisation strategy and looked at different means to realise it, they have then reverted to bricolage behaviour and effectuation logic to make do with whatever resources they have at their disposal on the fear of losing the granted benefits extended under the institutional support scheme. Following a causal logic for some time allowed the SME to expand its knowledge and experience and facilitated the shift to effectuation logic thereafter. On the other hand, in hostile and less munificent business context, decision-makers started with the means, and consequently searched for an internationalisation goal, they initially adopted effectuation logic and extensively relied on intuition line of thinking. As they advanced through their internationalisation, they gained experiential knowledge which enabled them to switch to causal-planned line of thinking. As they operated in hostile contexts, they had to preserve their resources given the constrained conditions they operate within; causal-planned logic represented a safeguard against losing the gains they realised during their initial internationalisation stage.

Discussion and conclusion

The present process study advances theorising of internationalisation decision-making under munificence-hostility contexts in the following ways: firstly, we find that decision-makers follow a hybrid logic that uses both effectual and causal logics over time depending on the stage and time of their venture's internationalisation. Secondly, the findings support and elaborate on the context-dependence of entrepreneurial decision-making during the SME's internationalisation process; in particular, the study broadens current understandings on the drivers of effectuation and causation beyond the classical thinking linking decision-making logics to uncertainty and prior entrepreneurial experiences. Therefore, the study identifies that SME's resource position are conditions which influence SME's decision-making logics. Thirdly; the findings provide useful insights derived from process research on decision-making under munificence-hostility conditions which cannot be derived from cross section research.

The findings reflect that decision-making in SMEs follows a hybrid logic that combines elements of planning and flexible decision-making logics, this finding contrasts with the view that effectuation and causation are mutually exclusive and identify that decision-makers responded to the company's external context to frame their internationalisation decisions (Brettel et al., 2012). The shift between logics is the result of shifts over decision-makers' perception of contextual munificence-hostility during the internationalisation process. The overall pattern which emerged from the analysis identify that flexible-effectual decision-making is more prominent in hostile business contexts during the earlier stages of internationalisation with a transition to more planning based decision-making over time as the SME's experiential knowledge expand.

In hostile environment, the internationalization process lacked a strategic orientation (Frishammar and Andersson 2009) and decision-makers undertook decisions under conditions of hostility and goal ambiguity (Gabrielsson and Gabrielsson 2013). They have employed intuition and effectuation logics in attempts to capitalise on the existing network connections and limited resource base. Their decision-making logic is to be characterised as 'occurring by chance', 'serendipitous', 'a coincidence', 'random', 'opportunistic' and 'non-systematic' (Meyer and Skak, 2002). In hostile contexts, decision-makers adopted effectuation logic because they attempted to leverage contingencies (Sarasvathy, 2008). Effectuation logic explains the SME's occasional unintentional internationalisation (Kalinic et al. 2014; Sarasvathy et al. 2014). Decision-makers' reliance on existing network connections was a

central aspect of the effectual process in the early days of their internationalisation as they relied on *effectual networks* (Sarasvathy and Dew 2005: 542). As effectual networks were unstructured and as the process lacked a defined goal, reliance on effectual networks increased SME's uncertainty and risk (Chandler et al. 2011).

In munificent context, decision-makers adopted a goal oriented reasoning of causal rationality, laid pre-determined internationalisation plans and selected resources to attain these goals. They adopted a causal predictive logic of reasoning and strategically chose their foreign partners and target markets according to the fit to the firm. The business context acted as a macro foundation for the internationalisation process, and then as they progressed and accumulated increased level of experiential learning in internationalisation, they reverted to effectual logic to safeguard realised success. The munificent context enabled SMEs to secure institutional resources which increased its means to achieve the intended goals, while in hostile context, the business context acted as an impediment to SME's internationalisation. Decision-makers adopted an analytic and ruled based mechanism for decision-making (Hodgkinson and Healey, 2011) and pursued logical choices based on conscious deliberation. Given the systematic and structured nature of rational decision making, it could often delay decisions (Elbanna, 2006), interestingly, decision-makers were not slow and the process was not effortful given the clear mandate to align with State's international orientation and management's established goals. Although they followed a causation decision-making logic and were rational in their thinking, they did not follow a 'wait and see' type of thinking (Bourgeois and Eisenhardt, 1988).

The present study identifies that the surrounding business context largely prompted decision-makers in hostile contexts to adopt effectuation and intuition as they had to mitigate the risks of liability of smallness and foreignness in international contexts, during the initial stages of internationalisation and they shifted the logic as they progressed and gained experiential knowledge, while in munificent context, given the determined paths and goals identified, decision-makers adopted a causation and rational decision-making to navigate through their internationalisation process, then shifted to effectuation logic as they progressed into their internationalisation to safeguard the benefits drawn from the surrounding munificent context. The study formally identifies the significance of institutional context in shaping SME's decision-making process and highlights the significance of turning points in SME's internationalisation decision-making process. As international decisions are simple functions of the experience and prior pattern of behaviour of the entrepreneur and the organisation,

international experience is suggested to be an important determinant of the decision to internationalise (Dichtl, et al., 1990) and the turning point of as when the decision-maker decides to re-shift his logic.

The empirical findings expand the understanding of conditions stimulating effectuation and causation logics and therefore contribute to theory development on internationalisation decision-making. As Perry et al. (2012) identify, the next stage of theory development of effectuation theory requires studies that attempt to explore a more fine-grained understanding of the origins of effectuation. The present study deviates from the norm of examining effectual logic in light of static conditions such as entrepreneurial experience and uncertainty at the time of founding a venture and highlight the interplay between business context, SME's resource positions and accumulated experience and knowledge to advance understanding of shifts between decision-making logics in the context of SME internationalisation. As internationalisation decisions are linked to discovering opportunities, we explicitly make the relationship between SME's thrive to search for opportunities and effectual logic in hostility conditions and identify that the same may not be valid in munificent context until SMEs become experienced inter-nationalisers.

As SME's internationalisation progressed over time, SMEs encountered varying levels of risk and the changes required decision-makers to adjust their decision-making logic. Decision-maker's perception of the extent the business context is munificent or hostile explained why the conditions interrupted and re-set their logics during SMEs internationalisation. Thus, adopting a process approach helped to explore a more fine-grained understanding of the influence context on decision-makers adopted logics. When resources were insufficient, decision-makers widened the scope of their thinking and options and consequently adopted an effectual line of thinking in the early stages of internationalisation. Interestingly, this finding is in conflict with prior research which identify that resource constraints are associated with narrowing alternatives and planned restricted behaviours (Crick and Spence, 2006; Kaul, 2012).

By investigating patterns in SME's effectual and causal decision-making in depth over time, the study extends research on internationalisation decision-making and establishes that decision-makers typically employ hybrid decision-making logics and shift from one dominant logic. The shifts are explained by identifying the role of munificence-hostility in shaping SME's resource positions. We move beyond the classical convention that effectuation is a

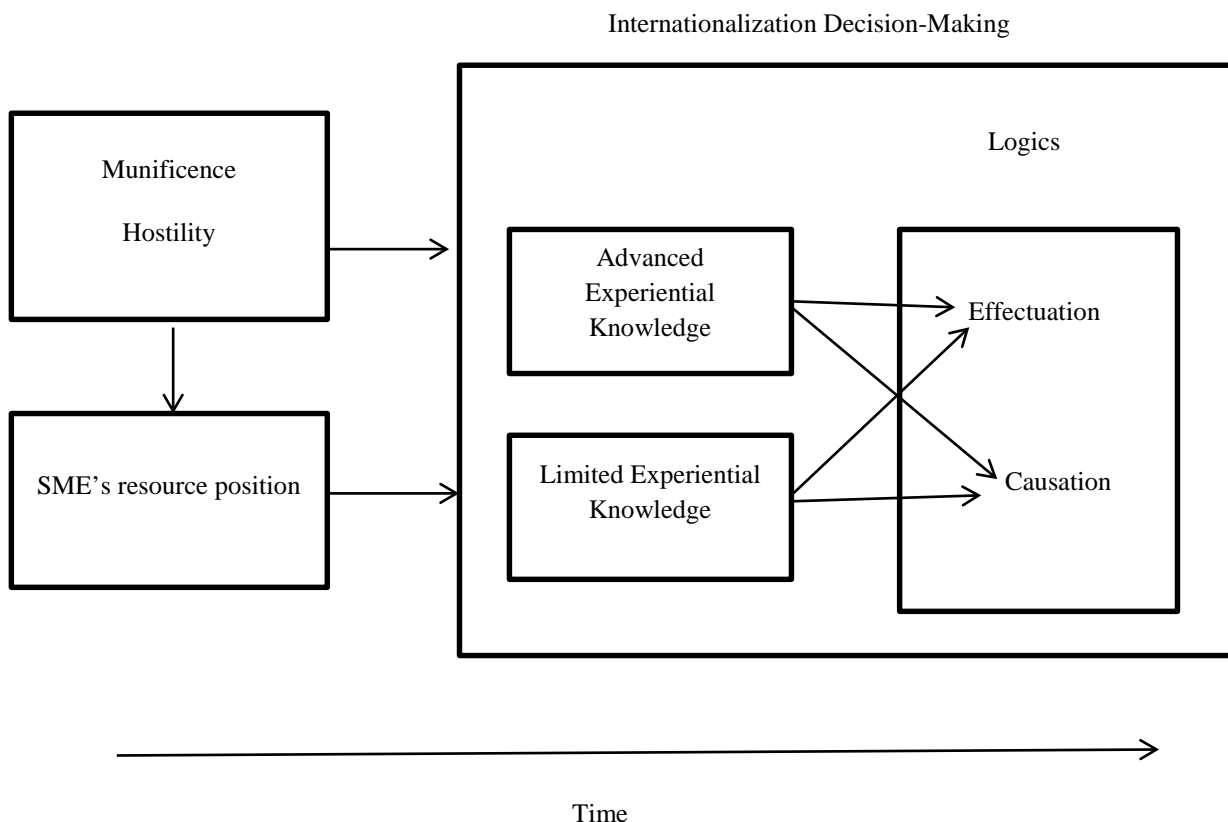
proactive and emergent way to exert control over uncertain business environment (Sarasvathy, 2008; Smolka et al., 2016).

The present study proposes the following three propositions and sketches the below theoretical model for further empirical investigation.

P1: In the context of SME internationalisation, decision-makers adopt hybrid decision-making logics of causation and effectuation

P2: In the context of SME internationalisation, decision-makers in munificent business context adopt a causal decision-making logic during early years of internationalisation and then re-shift to effectual logic to minimise the risk of losing the benefits they draw from the external context. The shift to effectual logic is enabled by SME's increased experiential knowledge.

P3: In the context of SME internationalisation, decision-makers in hostile business context adopt effectual decision-making logic during early years of internationalisation and then re-shift to causal logic to minimise the risk they encounter as a result of resource-constraint conditions. The shift to casual logic is enabled by SME's increased experiential knowledge.



Limitation and suggestions for future research

The main limitation of the study is its reliance on retrospective data. We took measures to limit retrospective bias by focusing on key internationalisation events, adopting an embedded approach to case study research to secure data from multiple respondents (Yin, 2013) and creating event lists (Belli, 1998; Chell, 2004). Although we do not expect our findings to be biased by retrospection effects, future research would benefit from conducting longitudinal research. Whilst we found evidence for the hybrid use of effectual and causal decision-making in the context of SME internationalisation, we focused on exporters as they were eligible recipients of government subsidies in the two contexts, future research may explore SMEs adopting different internationalisation modes employing different business models. Additionally, we see an opportunity for future research to explore the effect of SME's accumulation of slack resources as a result of operating in munificent context on shifts in decision-making logics. We also hope to inspire future research to examine the influence of munificence-hostility dimensions on changing SME's decision-making logics to the speed and outcomes of internationalisation.

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