Decision-making strategies of internationalization under challenging times

Lessons from SMEs

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Abstract

Small and medium-sized enterprises (SMEs) are increasingly important actors of the global market and are particularly exposed to be affected in a scenario marked by an ongoing process of deglobalization and impacts of the COVID-19 pandemic. Both of these phenomena potentialize the liabilities that firms experience abroad, namely foreignness and outsidership. Despite extant progress in understanding the challenging aspects of operating in international markets, there is not much knowledge about how firms’ decision logic frames their international behavior as these firms interact with the various liabilities of firm internationalization. In the same spirit of research that have leveraged the study of SMEs’ international trajectories to unveil new aspects of firm internationalization as a phenomenon, the general purpose of this thesis is: To explore what lessons from SME foreign market expansion can help to understand internationalization decision-making under challenging circumstances. Such a purpose makes room for research questions that call for the use of microdata to solve problems with broad implications for a population of firms. Empirically, this thesis builds on a quantitative research design based on survey data collected from 885 SMEs distributed in Brazil, China, Italy, Poland, and Sweden. Analyses of these data were performed with multiple regression equations, structural equation modelling using partial least squares, and multinomial logistic regression. Results help to understand how the liabilities of foreignness and outsidership can be associated with uncertainties that, together with the resources available to be used by the firms, can lead SMEs to adopt non-predictive strategies to operate abroad. In addition to that, they also indicate how elements of those liabilities can be perceived in dynamics that moderate outcomes of the strategies selected by the SMEs. Such findings provide a platform to extrapolate insights and propositions to advance the discussion of internationalization decision-making under modern challenges such as deglobalization and the COVID-19 pandemic. Theoretical implications of this thesis hold potential to touch the more general research on firm internationalization, whereas its practical implications may help in evolving the support tools available for assisting internationalization decision-making.

Keywords: Institutions, business networks, uncertainty, international market performance, internationalization speed

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List of Papers

This thesis is based on the following papers, which are referred to in the text by their Roman numerals.


II Oliveira, L., Fleury, A., Johanson, M. Home country effects on SME’s non-predictive internationalization. Under development.


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1. Introduction

1.1. Context and research gap

Small and medium-sized enterprises (SMEs) are increasingly important actors of the global market, making the backbone of virtually all economies (Organization for Economic Co-operation and Development [OECD], 2017; Paul et al., 2017; Tan et al., 2016). In the European Union, for instance, SMEs accounted for 98% of the exporting enterprises and 37% of the value of exported goods in 2019 (Eurostat, 2021). The study of SMEs’ international trajectories is now an integral part of the International Business (IB) field, contributing to unveiling new aspects of firm internationalization as a phenomenon. This has been the case especially when researchers notice that SMEs can exhibit behavior that is not fully explained by extant theories, which has contributed to the gradual incorporation of elements such as networks and opportunities into mainstream IB research (Zucchella, 2021).

The possibility of getting novel insights about firm internationalization from studying SMEs seems especially important in a world that features multiple challenges to conventional IB scholarship, including an ongoing process of deglobalization and impacts of the COVID-19 pandemic. Deglobalization is “the process of weakening interdependence among nations” (Witt, 2019, p. 1054), which has been exacerbated in recent years by growing nationalistic movements and geopolitical tensions around the world (Witt et al., 2021). Recent events that have shaken the world can be considered part of this phenomenon, like the election of Trump in the United States (U.S.) and the geopolitical tensions between the U.S. and China (Witt, 2019a), the withdrawal of United Kingdom (U.K.) from European Union (E.U.), also dubbed Brexit (Casadei & Iammarino, 2021), and the ongoing invasion of Ukraine by Russia, together with its humanitarian and economic implications not yet fully understood. By partially reversing the international integration of markets, deglobalization can compromise firms’ international strategies, limiting their access to critical resources, hampering capability building and transfer, and breaking down value chains. The emergence of COVID-19 has reinforced such a trend and materialized additional challenges for firms (Browne, 2020; Verbeke & Yuan, 2021). The pandemic has left companies struggling for economic survival, risking to lose their linkages with the global market as international value chains have seen both their supply and demand components disrupted due to lockdowns and social distancing measures.
Among the various firm groups, SMEs have been through a resilience test as they are forced to adapt to the current state of things and adjust their strategies and business models to survive (Fath et al., 2021). Effects of deglobalization and COVID-19 can be perceived as a new chapter in a growing debate about the challenging aspects of operating abroad—for firms in general and for SMEs in particular. For instance, internationalization has been framed as a phenomenon that evolves over time and which can expose firms to unexpected events and detours that are potentialized by the uncertainty of international markets (Chandra, 2017; Hurmerinta et al., 2016; Jones & Coviello, 2005). It is also largely affected by micro-level issues such as managerial discretion and decision-making, which shape firms’ strategies, behavior, and performance (Chittoor et al., 2019; Contractor et al., 2019; Niittymies & Pajunen, 2020). The process resulting from these elements does not always materialize a path of continued growth and success, but instead can include episodes of both voluntary and forced decreases in the firms’ foreign market commitment (Dominguez & Mayrhofer, 2017; Kafouros et al., 2022).

Despite progress on those areas, the mentioned elements have not been fully articulated together and are yet only limitedly explored in current influential paradigms of firm internationalization (Schweizer & Vahlne, 2022). In particular, there is not much knowledge about how firms’ decision logic frames their international behavior as these firms interact with the various liabilities associated with operating abroad (Dash & Ranjan, 2019). Researchers have traditionally perceived internationalization as a process affected by liability of foreignness (Zaheer, 1995), meaning the costs and challenges caused by institutional differences that firms experience between their home and host markets, such as unfamiliarity and discriminatory treatment (Fuentelsaz et al., 2020; Pogrebnyakov & Maitland, 2011; Schwens et al., 2011). A variation of this phenomenon is liability of regional foreignness, the hazards that firms encounter when expanding into new regions (Rugman & Verbeke, 2007). Besides that, scholars have also shed light on the problems derived from what can be called liability of outsidership (Johanson & Vahlne, 2009), relating the business network’s characteristics and the (in)stability of interfirm relationships to how firms experience uncertainties associated with internationalization (Bai & Johanson, 2018; Johanson & Johanson, 2021; Johanson & Vahlne, 1990; Vahlne et al., 2012).

The mentioned liabilities are still relevant in a world that sees the acceleration of the digital economy (Brouthers et al., 2016; Chen et al., 2019) and are potentialized under deglobalization and the COVID-19 pandemic. For instance, while the institutional convergence and the technology and transportation improvements observed after World War II reduced liability of foreignness for various companies, the national security and ideology concerns and the protectionist measures brought about by deglobalization and
pandemic-related policies have amplified international barriers (Brakman et al., 2021; Branicki et al., 2021; Luo, 2022; Luo & Witt, 2022). A similar dynamics has caused the disruption of international business relationships and networks, impacting directly the liability of outsidership experienced by companies operating in international markets (Fath et al., 2021; Lu et al., 2022). As firms face these liabilities, they are subject to setbacks and failures that may require a reconfiguration of their foreign operations.

1.2. Research questions

As the COVID-19 pandemic and deglobalization seem to open a new chapter in the discussion of how firms handle the challenges of operating abroad, the increasing scholarly interest in SME internationalization research is well-positioned to offer useful insights. SMEs usually elaborate and implement their strategies under significant resource scarcity and concentrated decision power (Hsu et al., 2013). In other words, it is easier to observe the role of managerial discretion on firm behavior in SMEs to the extent that their strategic movements and resource allocation are more likely to be guided by the day-to-day decisions of one or a few key individuals (Jones & Casulli, 2014). Besides that, these firms tend to have a more difficult time when facing liabilities and crises (Etemad, 2020). SMEs rely heavily on external support such as that from their networks to expand abroad (Chetty & Blankenburg Holm, 2000; Odlin & Benson-Rea, 2017; Schweizer, 2013) and tend to be more sensitive than large firms to institutional challenges (Child et al., 2022; Schwens et al., 2011). Therefore, the general purpose of this thesis is:

To explore what lessons from SME foreign market expansion can help to understand internationalization decision-making under challenging circumstances.

Some scholars have retrieved Effectuation theory from entrepreneurship research to explain the decisions that guide SME internationalization under the challenges of international markets (e.g., Sarasvathy et al., 2014; Schweizer et al., 2010). Originally introduced by Sarasvathy (2001), Effectuation was conceived as an explanation for how entrepreneurs operate under uncertain and ambiguous circumstances to create new products, companies, and markets (Wiltbank & Sarasvathy, 2010). It contrasts with the planning-based logic that traditionally dominates management schools and research, focusing on how decision-makers can create opportunities by leveraging the resources that they have available without specifying well-defined goals and plans. A major advantage acknowledged in Effectuation is its reliance on firms’ capacity to proactively create opportunities and leverage contingencies by controlling resources that they possess or can easily access.
In this vein, support to Effectuation in internationalization research has been growing thanks to parallels between the appropriateness of Effectuation in uncertain contexts and the challenges that SMEs find abroad (e.g., Galkina & Chetty, 2015; Kalinic et al., 2014; Karami et al., 2020; Kujala & Törnroos, 2018; Matta & Mello, 2014; Prashantham et al., 2019; Sarasvathy et al., 2014; Schweizer, 2015; Schweizer et al., 2010; Skorupski et al., 2019; Vasconcellos et al., 2019).

In spite of that, Effectuation is one among a realm of theories that have been dubbed “control-based” or “non-predictive” strategies. Such theories share a focus on the role of control in decision-making, meaning the firm’s ability to control resources and leverage contingencies (Kuechle et al., 2016; Mauer et al., 2018; Wiltbank et al., 2006). Inputs to non-predictive strategies include the resources that companies can mobilize and put to use, both tangible and intangible ones, either internal or accessed through network relationships. Their main output is the creation of options and possibilities that enrich the base for future actions. From Hayes’ (1985) Reverse planning to Brown and Eisenhardt's (1997) Continuous change, including earlier models such as the Garbage Can (Cohen et al., 1972), a number of theories similarly emphasize the non-structured nature of decision-making.

Besides acknowledging that Effectuation is not the only alternative to investigate control in decision-making, one should consider that the use of this theory would require handling its specific assumptions (Jiang & Rüling, 2019; Palmié et al., 2019) as well as its theoretical and methodological challenges (Arend et al., 2015, 2016; Grégoire & Cherchem, 2020; McKelvie et al., 2020). In light of these issues, this thesis focuses on non-prediction as a general principle of firm action and addresses the specific research questions:

(RQ1) How can liabilities of foreignness and outsidership be related to the adoption of non-predictive strategies by SMEs during internationalization?

(RQ2) How are the outcomes of non-predictive strategies in SME internationalization affected by liabilities of foreignness and outsidership?

Performance is usually perceived as a major outcome of interest in SME internationalization, given the connection traditionally outlined between internationalization and firm growth (Lu & Beamish, 2001, 2006). Despite its relevance, however, it is increasingly important to consider the specific experience that companies undergo abroad, advancing rapidly or slowly across markets, entering some markets and withdrawing from others (Cheng et al., 2020; Hilmersson & Johanson, 2016; Hsieh et al., 2019; Zahoor & Al-Tabbaa, 2021). For such reasons, both international market performance and internationalization speed are considered as outcomes of interest in this study.

Research questions like RQ1 and RQ2 illustrate typical issues that call for an approach that leverages microdata to solve a problem with broad
implications for a population of firms. According to the World Bank, “microdata are unit-level data obtained from sample surveys, censuses, and administrative systems”, which “provide information about characteristics of individual people or entities” and “allow in-depth understanding of socio-economic issues by studying relationships and interactions among phenomena” (World Bank, 2022). A main feature of microdata analysis is “the almost symbiotic relationship between the empirical model and the data it is used for” (Winkelmann & Boes, 2006, p. 3), which enhances the possibility of discussions with both theoretical and practical relevance. Availability of microdata has increased rapidly over the last decades, thanks to systematic surveys conducted by institutional bodies and international research partnerships developed among universities. The data used in this thesis comes from a large-scale, cross-country survey research project which I had the chance to join when I worked as a Visiting Researcher at Uppsala University in 2017-18, and to which I continued to dedicate efforts while affiliated with Dalarna University.

This thesis includes six papers articulated as in Figure 1. Paper I addresses the connection between liabilities of foreignness and outsidership as determinants of non-predictive strategy adoption. Paper II discusses how institutional effects influence the performance that SMEs may get when leveraging different types of knowledge resources through non-predictive strategies. Paper III discusses the mechanisms through which business and social networks influence the performance outcomes of such strategies. Paper IV looks at the simultaneity of prediction and non-prediction as drivers of international market performance under different foreign institutional environments. Paper V develops a discussion of internationalization speed considering the influence of the regionalization of markets. While Papers I to V are empirical, Paper VI presents a conceptual discussion of how business network relationships may affect the dynamics of internationalization speed and establishes the influence of decision-making on this process.
Figure 1. The empirical focus and relationships investigated in the papers.
This thesis builds upon and expands the research that I developed for my Licentiate degree at Dalarna University (DU, Sweden) (Oliveira, 2020) and the PhD degree that I got from the University of São Paulo (USP, Brazil) before that (Oliveira, 2019). Although the empirical studies included in this thesis draw on data collected before the COVID-19 pandemic and the disruptions currently affecting international markets, the experience of the investigated firms with the various effects of institutions and business networks is used to motivate a discussion of expected implications that the contemporary challenges may represent for firms. This discussion is materialized through the development of propositions for future studies.

By engaging in such an investigation, this thesis addresses the topic of internationalization decision-making from a current and relevant perspective. Its contributions hold potential to touch the more general research stream on firm internationalization, beyond the experience of SMEs. In particular, this study details the way decision-making within firms can be driven and shaped by the uncertainties and challenges associated with liabilities of outsidership and foreignness. This is possible thanks to the development of a theoretically-grounded, triangulated discussion involving the findings of the individual papers. By approaching novel empirical problems such as deglobalization and COVID-19 with existing constructs and theories, this thesis also illustrates an alternative path for the repositioning in extant knowledge that is often requested to account for the new challenges faced by firms. From a practical viewpoint, this thesis may help in evolving the support tools available for assisting internationalization decision-making.

1.3. Structure of this summary

I focus Chapter 2 on discussing non-predictive strategies and their role in SME internationalization, while Chapter 3 addresses in detail international market performance and internationalization speed as outcomes of interest. Chapter 4 outlines the theoretical framework, discussing the nature of liabilities of foreignness and outsidership and exploring how the disruptions derived from deglobalization and the COVID-19 pandemic reflect in an intensification of such liabilities. Chapter 5 details the methodological choices taken over the course of my research and is followed by a summary of the papers encompassed in this thesis in Chapter 6. In Chapter 7, I discuss the main findings and list implications for theory and practice, as well as limitations and directions for future research, closing with final remarks.
2. Non-predictive strategies in SME internationalization

This chapter contextualizes this thesis as a discussion of the strategic decisions that guide SME internationalization and presents non-predictive strategy as a relevant lens to frame this phenomenon.¹

2.1. Internationalization as made of strategic decisions

It is not obvious to discuss *strategy* while talking about SMEs, given that this term is usually adopted to refer to decisions aiming at the optimization of an action path (Van den Steen, 2017). This understanding derives from the traditional strategic planning school, which emerged with authors like Ansoff (1979) and Porter (1980). With predictive strategies, decision-making is based on an extensive collection of information about alternatives, a disciplined evaluation of scenarios, and the pursuit of clearly established goals (Miller & Cardinal, 1994). Various arguments suggest that such a structured approach may not be the standard for SMEs, like the idea that these firms often focus on noneconomic goals such as autonomy or satisfaction (Wang et al., 2007). SMEs are also commonly described as suffering with limited resources and being more sensitive to uncertainty (Knight, 2001), which may compromise planning efforts. Other scholars indicate that SMEs may simply lack any form of strategy, focusing instead on putting-out-fires and ad-hoc problem solving (Hauser et al., 2020).

However, there is little consensus regarding what characterizes decisions as truly strategic. Strategic decisions are most often pointed as such because of their challenging nature and the trade-offs they involve (Csaszar, 2018; Cummings & Daellenbach, 2009; Leiblein et al., 2018; Sharfman & Dean, 1997). In defining strategic decisions, it is possible to understand them as the infrequent and complex decisions capable of affecting organizational health and survival (Eisenhardt & Zbaracki, 1992; Elbanna, 2006). Those decisions are deemed strategic for their relevance “in terms of the actions taken, the

¹ Given the connection between the topic addressed in this study and the research work that I have developed over the past few years, the content of this section draws in part on the chapter “Internationalization as a strategic decision” of my Licentiate dissertation (Oliveira, 2020, pp. 17-26).
resources committed, or the precedents set” (Mintzberg, Raisinghani, & Théorêt, 1976, p. 246). Strategic decisions are also largely interdependent with other decisions and have great potential “to guide or shape the selection of these other interdependent decisions into patterns that are superadditive to performance” (Leiblein et al., 2018, p. 560).

The described definition is appropriate for the context of this research, given the kind of decisions faced by SMEs that venture abroad. Accordingly, internationalization results from a series of decisions that companies make over time, like: whether to go abroad in the first place (Bell et al., 2001; Li et al., 2018); which markets to enter (Schu & Morschett, 2017) and how fast to do so (Hilmersson & Johanson, 2016; Kalinic & Forza, 2012); how to enter each market (Ahi et al., 2017); what business partners to join (Andersen & Buvik, 2002), and so on. Some firms additionally handle decisions about withdrawing from foreign markets where they operate, either partially or entirely (Benito, 2005; Benito & Welch, 1997). In some cases they may have the opportunity to resume their internationalization (Welch & Welch, 2009).

The above-listed decisions are infrequent and complex, given that they are not usually made on a routine basis. They can also be threatening to firm survival, especially for SMEs—in each of them, the firm is constantly dealing with risks and opportunities in a scenario where failing may get them out of business (Knight & Liesch, 2002). Besides the challenges stemming from liabilities of foreignness (Zaheer, 1995) and network outsidership (Johanson & Vahlne, 2009), SMEs have to deal also with limitations resulting from their resource constraints (Aldrich & Ellen, 1986; Henderson, 1999). Reasons like these ones support discussing the decisions involved in SME internationalization from a perspective of strategic decision-making.

2.2. Non-predictive strategies as a relevant lens to study SME internationalization

Under uncertainty-heavy situations such as firm internationalization, there is increasing understanding that predictive strategies tend to show less validity, requiring flexibility and creativity from firms (Magnani & Zucchella, 2019). According to March (1978), decisions made under vague or unstable conditions can be considered good when they enrich the decision-making process itself, creating new alternative paths to be embraced and cultivating openness to new opportunities. This is equivalent to considering that the alternatives available to the firm are not entirely exogenous to its decision process. In other words, the actions and choices made by the firm can create the very restrictions and opportunities that they find on their way (Weick, 1979). This is an essential idea behind Sarasvathy’s (2001) Effectuation theory, which defends an approach to dealing with uncertainty that focuses on
leveraging available resources into new opportunities instead of putting efforts into detailed plans and goals. Effectuation appears in the group of theories that Wiltbank et al. (2006) called control-based (or non-predictive) strategies. Such a label come from their emphasis on the firms’ ability to shape their surrounding environment and control the available resources, creating opportunities—and, in essence, their own future—in this process.

Although the concept of non-predictive strategies has been formally defined only recently, in the 1980s Gibb and Scott (1985) already suggested that SMEs’ development paths are affected by development opportunities created out of their current business situation. In the same category of non-predictive strategies, one can list models such as Hayes' (1985) Reverse Planning and Kim and Mauborgne's (1997) Value creation curve. The former considers that the traditional focus of strategic planning on an “objectives-means-resources” logic can make firms rigid and devote much of their attention to financial resources. By departing from their existing resources, companies would own their trajectories, cultivate internal skills, and privilege flexibility. Kim and Mauborgne (1997), in turn, argue that firms can surpass rivals when creating offers that maximize the value perceived by consumers. For this, they need to ignore existing competition and break out of existing industries’ assumptions. Brown and Eisenhardt (1997) offer another example of such an approach, arguing that successful innovation projects rely not on systematic planning but combine rather limited responsibilities and priorities with extensive communication and freedom to experiment and improvise.

The ideas behind these models and the very conceptualization of non-predictive strategies resonate with March’s early references to the creativity of human mind. For instance, March (1982) argued that individuals and organizations sometimes need to act before they even think about it or establish clear goals, deviating from what was conventionally associated with the idea of rationality. He suggested that this attitude incorporates issues such as valuing experimentation, intuition, and experience as a form of learning, accepting deviations as part of transition moments, and avoiding to be dominated by the need to be consistent with past behavior. In line with this inspiration, March’s Garbage Can model (Cohen et al., 1972) can also be perceived as a form of non-predictive decision-making. Such model sees organizations as characterized by problematic preferences, unclear technology, and fluid participation, as “collections of choices looking for problems, issues and feelings looking for decision situations (…), solutions looking for issues to which they might be an answer”. This is essentially the same idea of focusing on what can be done with the resources at hand, which returned to the academic debate in recent times with Effectuation.

While Effectuation is becoming increasingly popular outside entrepreneurship research (Grégoire & Cherchem, 2020; Karami et al., 2020), its non-predictive nature, rather than its various principles, is what has promoted it as a useful mechanism for understanding how firms handle
uncertainty-heavy problems such as internationalization (Kalinic et al., 2014; Karami et al., 2020; Sarasvathy et al., 2014). When a firm pursues a non-predictive strategy, it must rely on something else than prediction and formal plans, trusting instead its capacity to be creative and flexible. This then prepares it to manage unexpected events in the market. Flexibility helps the firm to change decision routes while strengthening its control over how decisions unfold (Wiltbank et al., 2006). Instead of relying on well-proven tools and behavior, the firm is open to new pathways. Moreover, when prediction is not possible, the firm must contemplate previously untried and untested solutions. Hence, the importance of creativity and thinking outside the box. A final element of non-predictive strategy is improvisation in the face of emerging problems (Alsos et al., 2020). Improvisation allows firms, based on the resources at hand, to explore new decision paths and consciously construct new resource bases rather than simply repurposing existing frames of reference (Evers & O’Gorman, 2011; Weick, 1998). By improvising and experimenting with their decisions, firms are more likely to face unexpected paths and expand their networks in an unstructured manner, potentially accessing new resources, knowledge, and opportunities during this process (Magnani & Zucchella, 2019; Meyer & Skak, 2002).

Few situations welcome the application of the mentioned heuristics better than internationalization: besides lacking knowledge and relationships that could help them to succeed abroad, during internationalization companies cannot assume that their previous experience is entirely valid and often have to progress with gradual decisions while crafting new relationships in the foreign market networks (Hilmersson & Jansson, 2012; Johanson & Vahlne, 2009). As previously mentioned, these problems tend to be particularly salient for SMEs. Still, this does not mean that firm internationalization is guided by decisions taken at random. According to authors such as Hutzschenreuter et al. (2007) and Casillas et al. (2012), the internationalization process results from a combination of strategic choices and events influenced by the history of firms. In other words, the firm can face the challenges of the internationalization process with decisions driven by intentionality, just not necessarily showing the kind of rationality commonly expected in predictive strategies.
3. Outcomes of SME internationalization

3.1. International market performance

The relationship between internationalization and the performance that the firm achieves in international markets is a classic and central issue in the international business and entrepreneurship literature (Costa et al., 2017; Schwens et al., 2018). The challenges that SMEs face when operating abroad, including problems intrinsic to their smallness and newness and the liabilities stemming from foreignness and outsidership, are such that some researchers have questioned whether these firms actually gain anything in this process (Li et al., 2018). In this context, performance is often discussed in financial terms such as profitability, sales growth, market share, and returns on investment (ROI), on assets (ROA) or on sales (ROS) (Majocchi & Zucchella, 2003). Nevertheless, subjective assessments of performance satisfaction and strategic issues like the firm’s position in the industry and the awareness and image of its products can also be said to be components of an integral view of performance (Jeong, 2016).

In a general sense, internationalization has been understood as having an overall positive effect on SME performance, with further internationalization leading to performance improvements through both direct and indirect mechanisms (Li et al., 2018; Schwens et al., 2018). This relationship tends to be justified, for instance, by reasons such as the scale and scope economies achieved with foreign expansion, thanks to the higher production and sales volumes required for operating in various markets (Majocchi & Zucchella, 2003). Expanding to new markets can also allow for a diversification of the firm’s risks and revenues (Lu & Beamish, 2001), promote capability development and organizational learning (Zahra et al., 2000), and give the firm access to strategic and/or cheap resources in foreign locations (Lee et al., 2012). Renouncing foreign expansion, in turn, could lead SMEs to losing competitiveness due to an excessive exposure to the uncertainty and fluctuations of a single market (George et al., 2005).

The shape of the relationship between firm internationalization and performance does not find agreement among researchers, considering that benefits such as the mentioned above can be in some cases outgrown by the costs implied in the learning requirements presented by foreign expansion and the difficulties of coordinating increasingly complex operations. In this sense, while some studies show a linear effect (e.g., Bausch & Krist, 2007), others
identify U-shaped effects (e.g., Lu & Beamish, 2001), and still others describe inverted U-shaped (e.g., Hitt et al., 1997) and S-shaped curves (Contractor et al., 2003). Such an inconsistency in previous findings has been attributed to a lack of measurement uniformity and a problematic validity of the adopted internationalization-related variables (Hitt et al., 2006).

Besides looking at whether engagement with international markets is conducive to performance, other studies have gone one step further and discussed performance as an outcome of firm-level strategizing during internationalization. This has been the case of the growing body of research looking at the adoption of non-predictive strategies by SMEs as part of their internationalization journeys, with special attention to effectuation (Karami et al., 2020). According to Hagen et al. (2012), this link between internationalization strategy and performance went largely unnoticed for a long time especially in the case of SMEs because past research tended to described these firms’ behavior as fundamentally unplanned and reactive or, in the better cases, opportunistic. As put by Bell et al. (2004, p. 28), however, “the absence of an explicit and formal strategy does not equate to the lack of a strategic vision, whether or not this involves a global focus.” Research showing that SMEs may adopt specific behavior in recession times further motivates looking at how these firms’ strategies in international markets contribute to their performance outcomes (Hilmersson, 2014b).

With the rising scholarly interest in looking at SME internationalization with a non-predictive strategy lens, it is opportune to remind that Sarasvathy warned against anticipating the superiority of effectuation over causation (in essence, non-predictive vs predictive strategy) (Sarasvathy, 2001). Wiltbank et al. (2006) also considered that non-predictive strategy is fundamentally an option available to firms needing to make decisions under uncertainty. Yet, literature reviews and available studies have suggested that superior performance outcomes are possible when firms adopt such a strategy in uncertainty-heavy situations (Grégoire & Cherchem, 2020; Karami et al., 2020). To this extent, the link between the adoption of non-predictive strategies as part of the decision-making that SMEs employ during internationalization and the performance that these firms get out of this process can be perceived as a discussion worth attention.

3.2. The speed of the internationalization process

The speed at which firms internationalize is probably better perceived as something that describes the internationalization process than one of its outcome. Nevertheless, the relevance of observing it and understanding its drivers has been reinforced as researchers outline its potential impacts on firm performance and its related managerial challenges. Accordingly, expanding rapidly across markets can be challenging to the extent that firms can only
absorb a limited amount of new knowledge over a short period of time, especially when they are SMEs (Cohen & Levinthal, 1990; Dierickx & Cool, 1989; Hilmersson & Johanson, 2016). Also, rapidly entering new markets can become a burden for firms due to the associated requirements in terms of managerial time and resources. Such requirements could become more costly than the benefits of spreading overhead costs and risks and arbitrating opportunities across markets (Patel et al., 2018; Sadeghi et al., 2018). In line with that, speed is often taken as a dependent variable in existing studies (Hilmersson & Johanson, 2016).

Although speed is often discussed with firm internationalization, conventional studies lack a proper definition of this concept and tend to associate it with the time that it takes for a firm to implement its first entry in foreign markets (Chetty et al., 2014). This understanding has been propagated particularly by research on international new ventures and born globals, which are concerned with the experience of firms that exhibit relevant engagement with international markets at a relatively young age (Acedo & Jones, 2007; Oviatt & McDougall, 1994; Rialp et al., 2005). Such a view of speed is severely limited to the extent that it focuses on a phenomenon that precedes the beginning of the internationalization process itself and neglects the complexity of changes that the firm experiences when going abroad (Chetty et al., 2014; Hsieh et al., 2019).

More recently, the concept of internationalization speed has been repositioned and increasingly used to assess the evolution of the internationalization process over time in terms of its various dimensions (Chetty et al., 2014; Hilmersson et al., 2017). In this context, speed is perceived as the rate or quotient between changes in aspects such as the firm’s foreign commitment, its foreign sales, or the number of foreign markets that it serves, and the period of time during which such changes are observed. This concept is also called post-entry speed, taken as “the speed of achieving subsequent objectives in international markets” after the first entry (Zahoor & Al-Tabbaa, 2021, p. 3). It echoes what Vermeulen and Barkema (2002) called “pace of internationalization” and the idea of speed that was discussed by Oviatt and McDougall (2005). Differently from the first foreign entry, developing further internationalization requires significant efforts from firms towards intensifying market penetration, attracting new customers from existing or new markets, and evaluating and exploiting opportunities to expand business activities (Kiss et al., 2013). Such efforts can be identified in either country or regional terms (Zahra & George, 2002).

Conventional internationalization studies have approached this conceptualization of speed only indirectly, mostly in discussions about the process nature of firm internationalization. Accordingly, foreign expansion has for a long time been accepted as a dynamic process that unfolds over time (Welch & Paavilainen-Mäntymäki, 2014; Welch & Luostarinen, 1988). As indicated by Jones and Coviello (2005, p. 290), “internationalisation is a
process, and therefore, by definition, internationalisation behaviour takes place over time, manifest in a time sequence in which events occur”. One of the most influential theoretical lenses applied in this discussion has been the Uppsala Model (Johanson & Vahlne, 2009), which focuses on the accumulation of experiential knowledge and foreign commitment by firms over time and, because of that, has been captured in discussions about whether or not it describes a slow internationalization process (Coviello et al., 2017; Forsgren, 2016; Knight & Liesch, 2016). The vibrant interest of recent studies on internationalization speed having SMEs as a context points to the possibility of looking at these firms once more to continue advancing extant views of firm internationalization (e.g., Hilmersson & Johanson, 2016, 2020; Hsieh et al., 2019; Prashantham et al., 2019; Zahoor & Al-Tabbaa, 2021).
4. Theoretical framework

This chapter starts by presenting the theoretical underpinnings of the liabilities of foreignness and outsidership, relating them to the roles of institutions and business networks in firm internationalization. Next, it explores how these liabilities are expanded in the current international market context that suffers with disruptions from deglobalization and the COVID-19 pandemic. The chapter finishes with a discussion of the general theoretical framework that connects such elements with the issue of internationalization decision-making.

4.1. Liabilities in SME internationalization

SME-related studies traditionally shed light on problems that can be seen as intrinsic to the nature of these firms, such as those resulting from their small size and young age, including limited availability of resources, knowledge, and skills, lack of market power, informality of management practices, centralized control, and missing economies of scale and scope (Buckley, 1997; Hollenstein, 2005; Nooteboom, 1993). As SMEs become increasingly important international actors and face the same disruptions of foreign markets experienced by larger firms, it becomes additionally important to acknowledge among their challenges the liabilities conventionally addressed in mainstream internationalization literature: foreignness and outsidership.

4.1.1. Liabilities of foreignness and the role of institutions

While revisiting the idea that that foreign firms incur in costs not usually faced by local firms, like previously pointed by Hymer (1976), Zaheer (1995) focused on the costs that can put a foreign firm at disadvantage and encapsulated them in the concept of liabilities of foreignness. These liabilities include costs related to geographic distance, like with travel and transportation, the remote coordination of the firm’s operations, and the development of business relationships abroad. Besides that, they also encompass costs such as those stemming from the unfamiliarity with a host environment, lack of legitimacy there, and social and economic barriers that foreign firms may encounter (Eden & Miller, 2001; Zaheer, 1995). These costs derive from the various institutional challenges that firms face when entering new markets (Calhoun, 2002; Zaheer & Mosakowski, 1997), with institutions
interpreted as the rules of the game that shape human action and affect firm activity (North, 1990). That can happen both with the so-called formal institutions (like regulations and laws) and informal ones (like cultural norms and socially-shared conventions) (Zaheer, 2002).

Although some authors claim that firms can have some agency over their institutional environment, it is more often assumed that differences between host and home-country institutions may harm firms by making them experience liabilities of foreignness (Kostova et al., 2020; Lu et al., 2022). This situation seems particularly valid for SMEs, in light of their resource-scarcity and lack of market power. In the presence of high institutional distances, local laws and norms are not fully understood by foreign firms and may represent a barrier for their activities. Accordingly, regulations such as property rights, taxation, and labor law affect firms’ ability to form and exploit opportunities abroad (Young et al., 2018). When the institutions that firms find in a host market are worse than those at home, opportunities there are likely to be seen as less attractive (Mingo et al., 2018). If institutions are stronger abroad, in turn, costs may rise out of the need to comply with local norms (Barnard, 2010; Cuervo-Cazurra & Genc, 2011). As indicated by Paul et al. (2017), little understanding of the target market and its challenges is a major barrier to internationalization.

Besides the challenges derived from differences between home and host markets, Mezias (2002) included among the liabilities of foreignness the costs that are not exclusive to foreign firms but affect them disproportionally (such as labor lawsuits), as well as the lack of access to advantages enjoyed by domestic firms (like the availability of government support). These costs and (dis)advantages vary largely among countries according to the business environment that they offer to firms, including the efficiency level of their local markets and whether or not they distinguish among companies when establishing requirements. In this way, although differences between home and host markets are often perceived as the main driver of liabilities of foreignness (Lu et al., 2022), characteristics of the host country may play a specific role in understanding the challenges that firms may face there.

Well-developed institutions like those that often prevail in developed markets provide firms with better access to resources and information and greater security to establish business contracts (North, 1990). In turn, the ineffective institutional support in emerging markets often creates obstacles for firms such as excessive bureaucracy, legal barriers, funding constraints, and competition problems (Khanna & Palepu, 1997). While strong institutions contribute to firm performance by rewarding market capabilities such as innovation, weak institutions imply that the government has a more salient role in the economy and a tendency to reward nonmarket capabilities such as lobbying (Ngobo & Fouda, 2012). Strong institutional frameworks also tend to allow firms to carry out a more effective assessment of risks and market rules, whereas weak institutional environments may prevent firms from
anticipating the outcomes of the rules driving local exchanges (Young et al., 2018). Such sets of incentives and limitations can encourage or deter the entrance and expansion of foreign firms (Boddewyn & Peng, 2021). All in all, developed markets are more likely to offer firms some level of understanding or expectations of what they will find there than other locations.

4.1.2. Networks and liabilities of outsidership

The importance of business networks and network relationships for firm internationalization has become well established in the international business scholarship (e.g., Chetty & Blankenburg Holm, 2000; Coviello & Munro, 1997; Hohenthal et al., 2014; Johanson & Vahlne, 2009). As put by Håkansson and Snehota (1989, p. 187), “no business is an island.” This means that no firm pursues its activities in the market entirely on its own but instead does so while embedded in a network of direct and indirect relationships with other actors such as customers, suppliers, and competitors (Coviello & Munro, 1997). The market itself is in this way perceived as a system or collection of business relationships that result from and work as a channel for firm activity. Business relationships can also span country borders, connecting firms from different locations (Blankenburg Holm, 1995; Johanson & Mattsson, 1988). These networks are viewed as a form of governing business interactions through mechanisms that are intermediary between market transactions and hierarchical bureaucracies (Powell, 1990; Williamson, 1975). By relying on long-lasting exchanges and trust building, network relationships allow for the close coordination of economic activities without compromising the organizational autonomy of the involved parties.

As promoted by the Industrial Marketing and Purchasing (IMP) Group, the network perspective is considered capable of offering a comprehensive explanation of firm internationalization (Fletcher, 2008). Such an understanding stems from its holistic approach and focuses on the interactions that make this process, highlighting the contextualization of firm efforts and the exchange of information and resources within business relationships. The network perspective also helps in understanding firm internationalization as a process where decision-making is subject to external influences given by the firm’s relationships with other actors (Hadley & Wilson, 2003). In fact, business networks and network relationships are acknowledged as important sources of resources and knowledge that can guide the firm’s activities in the foreign markets (Blomstermo et al., 2004; Lindstrand et al., 2009). Access to such resources is facilitated by the existence of accumulated trust and mutual commitment between the connected firms. Networks can still be useful in helping firms to reduce the costs and risks of implementing cross-border activities, with local partners acting as facilitators for the firm in the host market (Chen, 2003; Chetty & Campbell-Hunt, 2003).
Due to the benefits that they can offer firms, business networks were rapidly perceived as playing an important role in the internationalization process, especially in helping SMEs overcome their intrinsic constraints (Chetty & Blankenburg Holm, 2000; Coviello, 2006; Odlin & Benson-Rea, 2017; Schweizer, 2013). The importance attributed to networks in such cases emerged as a common theme of empirical studies questioning the validity of conventional internationalization models (Johanson & Vahlne, 2003). This convergence represented a major driver for the incorporation of a network perspective in the previously-mentioned Uppsala Model of firm internationalization, which started to contextualize the firm’s learning and commitment efforts as part of a dynamics of relationship development in international networks (Johanson & Vahlne, 2009). As established by Johanson and Vahlne (2003, p. 93), “there is nothing outside relationships.”

This importance of business networks for firm internationalization led Johanson and Vahlne (2009) to suggest that outsidership in relation to international networks could represent a more serious liability for the internationalizing firm than foreignness. Outsidership refers to the lack of relevant relationships with actors from a network market, which limits the firm’s understanding of the key participants of the market and how relationships work there—and ultimately makes it impossible for the firm to develop its business in the market (Li & Fleury, 2020). The liability of outsidership can be to some extent related to the liability of foreignness, given that foreignness may make it more difficult for firms to become insiders in the networks of foreign markets (Yamin & Kurt, 2018). This is aggravated when the host market presents unreliable institutional systems and institutional voids, complicating the processes of relationship development and trust building (Fiedler et al., 2017). Overcoming an outsider status in a network means achieving a greater integration with local actors and a greater ability to influence the network, in addition to enabling opportunity development and improvements in the competitive position of the firm (Blankenburg Holm et al., 2015; Hilmersson & Jansson, 2012; Schweizer, 2013).

4.2. The ongoing deepening in the liabilities affecting firm internationalization

In a world that sees disruptions from deglobalization and impacts of the COVID-19 pandemic, liabilities of foreignness and outsidership can only be expected to intensify. Deglobalization has been taking shape for several years already, with countries relying progressively less on foreign trade and more on their domestic activities. This trend can be noticed across various statistics, with global integration peaking around the financial crisis of 2008/09 and declining steadily since (Witt, 2019b). Such a decline has been marked by an
intensification of protectionist measures, rising of populism and nationalist movements, weakening of multilateral bodies, and a general feeling that globalization has failed to deliver on its promises (Evenett, 2019; Luo, 2022; Witt, 2019b). Awareness of deglobalization gained traction recently with the long negotiations that marked Brexit (Ott & Ghauri, 2019) and the trade war between U.S. and China, often compared to a new Cold War (Petricevic & Teece, 2019; Witt, 2019a). Deglobalization is also on the headlines as the Russian invasion of Ukraine undermines the rules on which international business and relations depend (Gongloff, 2022; Ip, 2022; Lynch, 2022).

The COVID-19 pandemic, in turn, has disrupted the world since a coronavirus outbreak was first identified at the close of 2019, being elevated to the status of pandemic in March 2020 (World Health Organization [WHO], 2020). As of mid-November 2022, more than 640 million infection cases have been identified, with a death toll surpassing 6.6 million people (Worldometer, 2022). While these numbers are probably underestimated for various reasons, like the limited availability of tests in various countries, the COVID-19 pandemic has forced both people and businesses to radically adapt their routines to lockdowns and other sanitary measures implemented to limit the spreading of the virus. Most companies have been forced to rapidly change their business models and move into the online environment as a survival strategy (Fath et al., 2021; Soto-Acosta, 2020). The pandemic may look like old news as vaccination rates grow and war is on the headlines, but WHO warns us that it is far from over yet (Farge, 2022). According to Ciravegna and Michailova (2022), this pandemic can fuel further deglobalization by bringing additional uncertainty and costs upon international business activities. This trend can already be observed in its contributions to the intensification of populist and nationalist movements exploiting the social unrest and discontentment of people, the prevalence of unilateral government responses to the current economic and health crises, and the multiplication of disinformation campaigns and conspiracy theories on the internet.

The revision of global integration produced by the above-mentioned phenomena can be expected to make room for an increased regionalization of the world economy (Enderwick & Buckley, 2020). This movement happens as bilateral and regional agreements become more important than global policy frameworks, in addition to growing geopolitical tensions that reconfigure the international landscape (Luo, 2022; Witt, 2019b). Such a process gives form to what can be called semi-globalization, a situation between a borderless world and highly fragmented national markets (Rugman & Verbeke, 2007). Semi-globalization is not something entirely novel, given that the economic and historical ties connecting proximate countries tend to promote more homogeneity within regions than among them (Aguilera et al., 2007). Yet, regionalization has been emphasized in recent years, having been considered to better balance national concerns and international interdependence in the modern world (Enderwick & Buckley, 2020).
The progressive substitution of globalization with the regionalization of markets exacerbates the liabilities of foreignness that firms experience in overseas markets, producing more salient economic, cultural, and political discontinuities at the border of regions (Qian et al., 2013). These disruptions affect business and their environments, with potential to reverse the cycle of global convergence in management practices and policies observed over the last decades (Witt et al., 2021). As put by Meyer (1999), until recently the world could be seen as guided by economists, educators, scientists, and academics that discuss and spread ideas and principles for how actors such as firms should behave. The more recent global circumstances play against this uniformization of practices and policies, outlining a decoupling movement that emphasizes local solutions and polarized views (Tan & Yang, 2021; Witt et al., 2021). This decoupling includes growing debates around the appropriate level of relationships between State and firms, the regulation of strategic industries, and the contamination of foreign business activities with ideology concerns (Delios et al., 2021; Luo, 2022; Witt et al., 2021).

Deglobalization and the COVID-19 pandemic can also harm the basic working mechanisms of business networks and network relationships, making it more difficult for firms to engage with foreign markets. In this sense, it is worth noticing that the current disruptions in international markets have been coupled with the spread of misinformation and conspiracy theories, creating what can be dubbed an international trust crisis (Edelman, 2021). The rising of nationalism and populism movements taking advantage of anti-globalization sentiment and exploring online platforms to mobilize people is part of that movement. In this process, they have promoted animosity against foreign people and businesses that are perceived as representing treats to the national sovereignty and prosperity (Casson, 2021; Zahra, 2020). With the COVID-19 pandemic, the uncertainty about the effectiveness of sanitary measures adopted in different locations and the confusion and panic caused by disinformation campaigns amplify the uncertainties faced when dealing with foreign partners (Sharma et al., 2020). This means that firms now face the challenge of doing business in an environment marked by a contestation of practices and an increasing distrust among firms and between them and governments or the population (Zahra, 2021).

On top of that, global value chains and networks have been disrupted and their associated circulation of knowledge has been severely compromised by the increasing deglobalization and the effects of the COVID-19 pandemic. As put by Kobrin (2020), the globalization experienced in recent decades facilitated a networked circulation of knowledge thanks to advances of the digital revolution and reductions in the costs to move people and information across borders. Such dynamics allowed for a progressive specialization and geographical distribution of economic activities (Mudambi & Venzin, 2010), which inevitably led to the transfer of jobs to where firms move their activities and a concentration of knowledge in foreign locations, deepening the
interdependence among nations (Kobrin, 2020). This situation was rapidly labeled as problematic by the populist and nationalist movements that surged in recent years with a discourse defending the national sovereignty and autonomy, especially in developed countries. In various of those places, protectionist debates and policies stimulating firms to re-shore their activities and trying to prevent that they transfer strategic knowledge abroad started to take shape (Callaghan, 2021; Cuervo-Cazurra et al., 2020). Trump’s “Make America Great Again” motto was one example of that.

While the desire to keep jobs and strategic knowledge at home have marked the disruption of value chains by deglobalization, the COVID-19 pandemic contributes to this picture in at least two ways. On the one hand, the pandemic scenario has made nations aware of the importance of securing a smooth supply of strategic goods and reducing their exposure to risks such as depending on global suppliers, like it happens with firms that buy mostly from China in various industries. This was most clearly identified recently with medical supplies, which illustrate one of the first industries to suffer with dramatic shortages amid efforts to fight the virus as the disease spread globally (Gereffi, 2020). Such awareness resulted in initiatives aimed at reconfiguring global supply chains and revise their international dependence (Evenett, 2020). On the other hand, the increasing uncertainty and volatility in international markets has made it difficult for firms to get reliable information from their network partners (Sharma et al., 2020). This results from a propagation of risks and uncertain information across the nodes of business networks, preventing firms from developing recovery strategies that would require a proper understanding of different scenarios and challenges (Paul et al., 2021). The combined effect of these issues seems to make firms less capable of engaging with international networks and largely reduces the benefits that they could get out of their networks and network relationships.

4.3. A general theoretical framework for this thesis
The theoretical framework adopted in this research (Figure 2) outlines relationships between elements associated with the liabilities of foreignness and outsidership and the adoption of non-predictive strategies as a way to develop firm internationalization based on the resources available to the firm. The framework also lists international market performance and internationalization speed as outcomes of interest, in addition to considering that elements associated with those liabilities moderate such outcomes.

Among the antecedents of non-predictive strategy, extant literature counts the resources available to the firm and the contextual uncertainties that it experiences. The former point has been repeatedly stressed as scholars explore various aspects of Effectuation theory, understanding that available means represent the starting pointing for this decision-making approach as the firm
adapts itself to the resources at hand and understands what can be created with
them (Jiang & Rüling, 2019; Karami et al., 2020; Reymen et al., 2015). A
similar understanding can be reached in other theories that similarly
emphasize the control principle (Mauer et al., 2018). To this extent, I look
particularly at the role of knowledge as one of the most important resources
that SMEs can use in the creation of opportunities during internationalization
(Casillas et al., 2009; Fletcher et al., 2021; Stoian et al., 2018).

While internationalization knowledge is a general-purpose knowledge
that can be employed to develop, implement, and manage international
operations (Eriksson et al., 1997), supply-side knowledge includes
information about the upstream value chain (like suppliers’ products and
services, as well as their technologies and capabilities) and demand-side
knowledge refers to the downstream value chain (like customers’
requirements and preferences and market opportunities) (Esper et al., 2010;
Furr & Snow, 2015). I do not list market-specific knowledge as a driver of
non-predictive strategy for considering that it will have a lower relevance.
This knowledge refers to the particular social, political, and economic
environments of specific markets (Makino & Delios, 1996) and is likely to be
less accessible to SMEs given that these companies tend to occupy
intermediate nodes of their value chains (Buckley & Prashantham, 2016) and
use exports or intermediaries to reach final markets (Tan et al., 2016).
Figure 2. A general theoretical framework
The role of uncertainties as drivers of non-predictive strategy adoption can also be identified in extant literature, especially regarding firm internationalization. This research body predominantly understands that the uncertainties and challenges of expanding abroad configure conditions where the adoption of such strategies can be beneficial (Grégoire & Cherchen, 2020; Karami et al., 2020). Such issues include cross-border problems in terms of formal and informal institutional differences that the firm experiences between home and host markets, in addition to the challenging dynamics of engaging with business networks in an international setting (Sarasvathy et al., 2014). Those uncertainties can be respectively associated with the existence of liabilities of foreignness and outsidership. Informal institutions do not show direction and neither accept scales such as weak/strong; they can only be said to differ across countries (Kostova et al., 2020). Hence, I talk in terms of formal institutional distance and informal institutional differences as components of institutional-related uncertainty.

The network component of the uncertainties possibly driving non-predictive strategy is given by the (in)stability of the firm’s business network. This perspective is preferred here to the extent that outsidership/insidership can be difficult to measure in terms of network position for firms such as SMEs, which tend to maintain mostly weak ties with foreign markets and hold reduced assets abroad. In unstable networks, changing requirements and expectations can cause “uncertainty regarding the future behavior of the counterparts, and the future outcome of the present cooperation” (Eriksson & Sharma, 2003, p. 962). They also hinder the development of trust, adaptation, and understanding between network members (Geersbro & Ritter, 2010; Leonidou et al., 2006). In practice, network instability traduces into weak positions in the network for the firm. Hence, I argue that this concept can be considered to be an acceptable proxy for the uncertainties associated with the liability of outsidership in the context of this study.

It is reasonable to expect that elements associated with the liabilities foreignness and outsidership not only drive firm behavior during internationalization but also interfere with the efficiency of the strategies that these firms adopt. Having international market performance and internationalization speed as the main outcomes of interest, I acknowledge two sets of effects related to those liabilities. The first of these effects can be identified with the institutions that firms find abroad, which regulate the activities of the firms operating under their influence and define the kind of behavior that is expected in the market. They rule over both firms that are physically present in the market and foreign firms that want to make their products and services available there. In some cases, the costs that host market institutions impose on foreign firms is disproportionally higher and the advantages offered to them are considerably lower than those available to domestic firms (Mezias, 2002). The challenges to operate in specific foreign markets can be such that they may lead firms to withdraw from there,
voluntarily or not (Dominguez & Mayrhofer, 2017; Kafouros et al., 2022). At a more aggregate level, it is possible to consider how such institutional forces exhibit regional patterns that create challenges for the firms whose foreign expansion crosses regional borders (Rugman & Verbeke, 2007).

Besides the role of foreign institutions in affecting the performance and speed achieved with particular strategies adopted during internationalization, one should consider the effects of business networks on those terms. It is especially relevant to acknowledge elements associated with the firms’ engagement with their networks and which can be compromised by the liabilities of outsidership. One such elements is the development of trust-based relationships with foreign partners, which is identified with the strengthening of a firms’ position in the network (Fiedler et al., 2017; Schweizer, 2013). In fact, trust can be seen as core to the development of internationalization in business networks by representing “a prerequisite for commitment” and also a potential “substitute for knowledge” (Johanson & Vahlne, 2009, p. 1417). Another element emphasized here is network knowledge circulation, which to some extent relates to the development of trust-based relationships but more specifically allows viewing business networks as systems of joint learning in which the firms’ international strategies are embedded (Hohenthal et al., 2014; Johanson & Vahlne, 2009; Street & Cameron, 2007). According to the firms’ insidership in their networks, the level of knowledge circulation to which they have access can facilitate opportunity development (and, hence, further internationalization) by providing them access to strategic information about firms, markets, and opportunities.

Together, the empirical papers in this thesis address the scope of the relationships illustrated in Figure 2. The role of the uncertainties associated with liabilities of foreignness and outsidership as antecedents to non-predictive strategy adoption is discussed in Paper I and the importance of resources in this process is the topic of Paper II. Paper III and IV look at institutional- and network-related effects influencing the performance of non-predictive strategies during internationalization, whereas papers V and VI address internationalization speed as an outcome of interest that is affected by the regionalization of markets and the development of trust-based relationships with foreign partners. While the findings reported in these papers have an intrinsic value on their own, they will be used here as a platform for discussing impacts that the ongoing process of deglobalization and the COVID-19 pandemic can bring upon internationalizing SMEs.
5. Methodology

This thesis derives from a large-scale, cross-country survey research project which I had the chance to join when I worked as a Visiting Researcher at Uppsala University in 2017-18, and to which I continued to dedicate efforts while affiliated with Dalarna University. Data from this survey project was leveraged in the empirical papers included in this thesis, namely Papers I to V. Survey research involves the collection of structured data about the individuals in a sample, from which generalizations or inferences about their original population can be made (Ghauri & Gronhaug, 2010). Such generalizations result from the examination of patterns and regularities in variables operationalized with the surveyed data, using quantitative techniques to assess relationships hypothesized among those variables. A good survey design includes decisions about at least three methodological aspects: questionnaire design, sampling, and data collection (Fowler, 2014). The following sections cover these aspects and are followed by a brief discussion of the data analysis techniques adopted in the papers.

5.1. Questionnaire design and measurements

The survey questionnaire helped to collect primary data that were used to operationalize multi-item constructs used in the discussion of the general theoretical framework developed for this thesis (Figure 2). Such data were collected as items presented to interviewees as sentences assessed on a seven-point scale, from 1 (Strongly Disagree) to 7 (Strongly Agree). The questionnaire was developed in English and then translated into the local language of each country where data collection happened, with the review of experienced native researchers not involved in the research. Reverse translation was also used to guarantee the equivalence of questions between countries (Brislin, 1970). The constructs based on primary data are presented next, indicating their literature support. Previously validated measurements were leveraged whenever possible, but some measurements were developed for the purpose of this data collection.

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2 Given the connection between this study and the research work that I implemented for my Licentiate degree, the content of this section draws in part on the chapter “Research design and methodology” of my Licentiate dissertation (Oliveira, 2020, pp. 37-46).
Non-Predictive Strategy. Based on Wiltbank et al. (2006), non-predictive strategy involves handling opportunities initially ignored as well as dealing with problems that could not have been predicted. Such a logic implies the incorporation of changes in a firm’s strategy, allowing for the accommodation of new decision paths (Mauer et al., 2018). Consequently, firms were asked to what extent: (1) *Entering foreign markets often means that we have to be flexible.* Because non-predictive strategies also entail creativity and purposeful creation of alternatives from the available resources (Vasconcellos et al., 2019), firms were also asked to what extent: (2) *Entering foreign markets often means that we have to go out of the box.* Finally, improvising contributes to promoting and seizing unexpected opportunities and creating new decision paths (Alsos et al., 2020; Evers & O’Gorman, 2011), from which firms were asked to what extent: (3) *Entering foreign markets often means that we improvised solutions to problems.*

Knowledge-Based Resources. The operationalization of these resources was implemented through three constructs, starting with internationalization knowledge. From previous research (Eriksson et al., 1997; Fletcher et al., 2013), one can consider the manifestation of this knowledge type in items representing the firms’ generic experience with foreign market operations. Following Hilmersson (2014), respondents were asked whether they agree that their firms have experience with: (1) *supplying foreign customers*; (2) *adapting our products and services to meet the needs and wants of foreign customers*; (3) *adapting our organization to meet the needs and wants of foreign customers*; (4) *marketing and sales our products and services abroad.*

Considering the importance that knowledge about markets and technologies may have for SMEs (Prashantham & Young, 2011; Wiklund & Shepherd, 2003), these dimensions were used to assess the knowledge that the interviewed firms may have about their extended value chain. The extended value chain comprises not only immediate business contacts, but also their suppliers’ suppliers and their customers’ customers (Sturgeon, 2001). Therefore, Supply-Side Knowledge was assessed by asking respondents whether firms in their market usually have knowledge about their suppliers’ suppliers’: (1) *products and technology*; and (2) *markets and customers.* Similarly, Demand-Side Knowledge was assessed by asking them whether firms in their market usually have knowledge about their customers’ customers’: (1) *products and technology*; and (2) *markets and customers.*

Business Network (In)stability. This perspective was adopted as a way to assess the level of uncertainty in the firms’ business networks. Stable networks tend to exhibit trust-based and long-lasting interfirm relationships (Hohenthal et al., 2014; Inkpen & Tsang, 2005; Koka et al., 2006), on both the supplying and selling sides. Based on this conceptualization of business network
stability, firms were asked whether or not in their markets: (1) *The relationships with the customers tend to exist for several years* and (2) *The relationships with the suppliers tend to exist for several years*. One can also consider that long-term relationships might be a necessary but not sufficient feature of stable networks (Eriksson & Sharma, 2003; David Ford & Mouzas, 2010). Hence, the stability of the firms’ networks could also be captured in more general terms by asking firms whether in their networks: (3) *Stability is typical for relationships between firms*.

**International Market Performance.** According to Dess and Robinson (1984), objective performance measures are often unavailable for privately-held firms. This situation is particularly concerning for emerging market SMEs. In turn, “perceptual measures [of performance] tend to have a high correlation with objective, accounting-based measures” (Andersson et al., 2001, p. 1022). Hence, international market performance was measured by asking respondents about the extent to which they perceive the overall success of their operations in foreign markets (Katsikeas et al., 2000). Firstly, firms were asked about their perceptions of profitability and market share with the questions: (1) *We are pleased with how the profitability of our international operations have developed over the last three years*; (2) *We are pleased with our market-share over the last three years in the international markets where we operate*. To place these perceptions of success into a context and to avoid the risk of over- or underinflated claims, firms were also asked to consider whether: (3) *We have over the last three years had a leading position in the international markets where we operate*.

**Internationalization Speed.** During the interviews, firms were invited to list the number of export markets they served in each geographic region (Africa, Asia, Europe, Oceania, North America, and South America) in selected years (2000, 2003, 2005, 2007, 2010, 2013, and 2015). This information was used to compute the SMEs’ regionalization speed, measured as the change over time in the regionalization scope of their foreign markets (Chetty et al., 2014; Hilmersson et al., 2017). For implementing this measurement, regionalization scope was computed using the Inverse Herfindahl–Hirschman index (IHH)—an index commonly used for analyzing geographic diversification (Pisani et al., 2020; Wu & Zhou, 2018). The IHH index for a firm in a given year is given by 1-\(\sum(si^2)\), where \(s_i\) is the number of markets that the firm served in region \(i\) as a percentage of its total number of foreign markets in that year.

**Business Network Knowledge Circulation.** Business networks can be viewed as systems of joint learning and knowledge circulation that shape firms’ international strategies (Hohenthal et al., 2014; Johanson & Vahlne, 2009; Street & Cameron, 2007), with knowledge circulation in business networks
being their governing mechanism. This construct was captured by using three measures based on the literature relating to knowledge redundancy in business networks (Noordhoff et al., 2011): sensitive information; knowledge sources; and flow of knowledge. Based on this definition and relating it to the understanding of business networks as indirect mechanisms of coordinating economic exchanges (Powell, 1990; Williamson, 1975), firms were asked about how they perceive their international business network and how knowledge circulates in their networks (Hohenthal et al., 2014): (1) It is difficult to keep commercial secrets in our market; (2) In our market, everyone knows everyone; and (3) Information flows easily between firms in our market.

5.1.1. Secondary data

In addition to constructs assessed with primary data, some of the constructs featured in the theoretical framework for this thesis (Figure 2) were assessed with secondary data. This includes the constructs focusing on the institutional differences experienced by each firm when going abroad and the institutional development that they find in their host markets.

**Formal Institutional Distance.** This construct was measured by leveraging World Bank’s Worldwide Governance Indicators (Kaufmann et al., 2010): voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. These indicators are compiled by the World Bank for more than 200 countries, using information from a variety of sources, and have been largely used to assess the impact of formal institutions (Hernández & Nieto, 2015; Kostova et al., 2020). Following previous research, these indicators were considered as a single factor through the use of a principal component analysis. After establishing the institutional development level of each firm’s home and major host markets (respectively, ID$_{home}$ and ID$_{host}$), the distance between them was evaluated by subtracting ID$_{home}$-ID$_{host}$. The signal of this operation was kept (that is, positive or negative), following the understanding that the challenges of internationalization depend not only on the absolute distance between home and host markets but also on the direction of expansion (Trąpczyński & Banalieva, 2016).

**Informal Institutional Differences (or Cultural Differences).** The measurement for this construct departs from the idea that informal or cultural institutions usually stretch beyond single country borders (Hong & Lee, 2015) and their comparison does not admit directionality (Kostova et al., 2020). Hence, Ronen and Shenkar's (1985, 2013) cultural cluster classification was adopted, representing a synthesis of cross-cultural studies and work-related attitudes and values. Their cluster structure groups 70 countries into three
nested layers comprising 11 global clusters, 21 regional clusters, and 38 local clusters. Because this thesis had to consider countries not originally present in their study, and because most of their local clusters consisted of single countries, only the regional and global levels of their classification were used. When a country outside their classification had to be considered, this was handled by referring to studies such as Gupta et al. (2002) and Hong and Lee (2015), which build on the work of Ronen and Shenkar and classified slightly different sets of countries. In this sense, Cultural Differences were measured with a variable that reflects increasing differences between the firms’ home country and their major host country: it is equal to 0 when these countries belong to the same regional cluster; 0.5 when they appear in different regional clusters within the same global cluster; and 0.75 when they occupy different global clusters. The 0.5 and 0.75 thresholds were used by Ronen and Shenkar (2013) to segregate regional and global clusters according to their similarity levels.

Foreign Institutional Development. This variable represents the level of development of the formal institutions in the firms’ major host market. Like with Formal Institutional Distance, it relies on data from the indicators compiled by the World Bank and is measured with the values of the factor derived from those indicators assessed for the firm’s major host country. When plotting such a variable across all the firms in this thesis, it was possible to identify that it closely followed a bimodal distribution with one peak lower and one higher than zero. Hence, this variable was converted into a dummy that is equal to 0 when the variable based on the World Bank’s indicators was lower than zero, and 1 otherwise.

Besides the mentioned constructs using primary and secondary data, the general theoretical framework featured in Figure 2 also mentions Regionalization of markets and Trust-building as moderator variables. These variables were not addressed explicitly in the conceptual models of the empirical papers but only through the theoretical discussion of their implications. Hence, they were not part of the data collection. Other constructs are additionally explored in each individual paper but are not covered here due to their smaller role in the framework of the thesis.

5.2. Sampling and data collection

My participation in the survey research project that is leveraged in this thesis made me responsible for collecting data from Brazilian SMEs. Similarly, local researchers were responsible for collecting data in China, Italy, Poland, and Sweden. This configuration produced a cross-country design that is relevant for comparisons between groups of countries representing emerging and
developed markets. While Brazil and China are maybe two of the most iconic emerging markets, Poland could still be considered an emerging market at the time of data collection. Italy and Sweden, in turn, represent traditional developed countries with mature SME ecosystems that have received significant attention in internationalization studies (Ciravegna et al., 2014; Oparaocha, 2015).

Due to the absence of comprehensive databases for the identification of SMEs, especially in emerging markets (Batjargal et al., 2013), several sources were used to compile a list of companies that could fit the survey research project, including government databases, consultancy reports, and online search engines. Data collection happened in China and Sweden in 2015, and in Poland in 2016, while it started in Brazil and Italy in mid-2017 and progressed until 2018 (Table 1). Except for China, the European SME criterion based on firm size was adopted in all the other countries (up to 250 employees) (European Commission, 2005). Following local legislation, Chinese companies with up to 300 people were considered as SMEs (Xiangfeng, 2008). Data collection in Brazil followed the European SME definition because its local legislation is basically silent about this concept (Guimarães et al., 2018). Besides firm size, the sampling criteria focused on firms with manufacturing activity, engaged in international trade (that is, with foreign sales in the last three years), featuring domestic ownership, and with independent operations (that is, with decision-making autonomy over their international activities).

Data collection in the five countries followed a standardized set of procedures defined for all participants in the cross-country survey research project. In each country, firms were randomly selected from a compiled list of potential candidates for the interviews. Each firm received an initial phone contact to confirm its adequacy with the sampling criteria and to identify the person responsible for international operations. Then, a standard invitation was sent to the identified person, detailing the context of the interview and promising anonymity in all materials produced from the survey. This invitation was followed by phone contacts after one and three weeks, on average, in order to obtain better response rates.

Response rates varied between 3.6% in Italy and 33.8% in Poland, which can be considered adequate in an international research context (Harzing et al., 2013). The interviews followed a structured questionnaire and were carried out by telephone or in-person (Leeuw, 2005), by a member of the survey project or by a trained analyst. They followed a structured script and lasted, on average, 40 minutes, involving interviewees with managerial functions and responsible for the external operations of their companies (Coordinator, Manager, Director, or CEO/Owner).
Table 1. Information about data collection in each country

<table>
<thead>
<tr>
<th>Year</th>
<th>Data source</th>
<th>Geographic coverage</th>
<th>Initial sample</th>
<th>Interviews</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>2015 - Statistics Sweden</td>
<td>Two of Sweden's main cities and surroundings</td>
<td>1,251</td>
<td>202</td>
<td>16.1%</td>
</tr>
<tr>
<td>China</td>
<td>2015 - Foreign Trade Commission of each city</td>
<td>Five cities in China's most developed regions, where private SMEs are dominant</td>
<td>1,288</td>
<td>228</td>
<td>17.7%</td>
</tr>
<tr>
<td>Brazil</td>
<td>2017-18 - Center for Studies and Research in Administration</td>
<td>National territory</td>
<td>1,270</td>
<td>143</td>
<td>11.3%</td>
</tr>
<tr>
<td></td>
<td>- Ministry of Industry, Foreign Trade and Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Consulting reports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Online search engines</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>2017-18 - AIDA Database</td>
<td>North and Central regions of the country</td>
<td>5,124</td>
<td>185</td>
<td>3.6%</td>
</tr>
<tr>
<td>Poland</td>
<td>2016 - Central Statistical Office of Poland</td>
<td>Top 10 cities in Poland and surroundings</td>
<td>450</td>
<td>152</td>
<td>33.8%</td>
</tr>
<tr>
<td></td>
<td>- Market research company</td>
<td></td>
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</tbody>
</table>

After excluding incomplete questionnaires, the final sample added to 885 SMEs, including 133 companies from Brazil, 215 from China, 183 from Italy, 152 from Poland, and 202 from Sweden (Table 2). Specific subsets of this sample were employed in each empirical paper depending on the focus of the paper and the incidence of missing data affecting its key constructs. Due to the efforts taken to ensure sampling equivalence among the selected countries, differences among the country samples can be believed to reflect variations in the profile of the SME population in each location. Hence, Brazilian and Chinese SMEs seem to be the largest firms in the sample, with approximately twice the number of employees of European firms. Chinese companies are the youngest ones, while the age of the Brazilian firms is closer to the older SMEs in the sample, found in Italy and Sweden. Polish
SMEs exhibit intermediary ages. Interviewees' firm experience follows a similar distribution, with Chinese managers displaying the lowest levels of firm experience in the sample whereas Italian and Swedish managers have the longest tenures.

<table>
<thead>
<tr>
<th>Table 2. Sample profile (standard deviations in parenthesis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil (n=133)</td>
</tr>
<tr>
<td>China (n=215)</td>
</tr>
<tr>
<td>Italy (n=183)</td>
</tr>
<tr>
<td>Poland (n=152)</td>
</tr>
<tr>
<td>Sweden (n=202)</td>
</tr>
<tr>
<td>Total (n=885)</td>
</tr>
<tr>
<td>Size (number of employees)</td>
</tr>
<tr>
<td>102.88</td>
</tr>
<tr>
<td>(85.25)</td>
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<tr>
<td>100.88</td>
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<tr>
<td>(86.00)</td>
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<tr>
<td>49.89</td>
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<tr>
<td>(54.08)</td>
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<tr>
<td>50.66</td>
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<tr>
<td>(51.34)</td>
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<tr>
<td>46.41</td>
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<tr>
<td>(59.58)</td>
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<tr>
<td>70.73</td>
</tr>
<tr>
<td>(73.58)</td>
</tr>
<tr>
<td>Firm age (years)</td>
</tr>
<tr>
<td>30.33</td>
</tr>
<tr>
<td>(19.84)</td>
</tr>
<tr>
<td>8.90</td>
</tr>
<tr>
<td>(6.28)</td>
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<tr>
<td>36.15</td>
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<tr>
<td>(25.19)</td>
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<tr>
<td>16.60</td>
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<tr>
<td>(11.02)</td>
</tr>
<tr>
<td>40.87</td>
</tr>
<tr>
<td>(30.28)</td>
</tr>
<tr>
<td>26.42</td>
</tr>
<tr>
<td>(24.25)</td>
</tr>
<tr>
<td>Firm experience (years)</td>
</tr>
<tr>
<td>11.25</td>
</tr>
<tr>
<td>(9.15)</td>
</tr>
<tr>
<td>5.11</td>
</tr>
<tr>
<td>(3.52)</td>
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<tr>
<td>17.91</td>
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<tr>
<td>(10.77)</td>
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<tr>
<td>12.08</td>
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<tr>
<td>(7.14)</td>
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<tr>
<td>15.40</td>
</tr>
<tr>
<td>(10.30)</td>
</tr>
<tr>
<td>12.20</td>
</tr>
<tr>
<td>(9.71)</td>
</tr>
</tbody>
</table>

5.3. Survey research analysis

The papers included in this thesis implement different data analysis techniques, namely multiple regression, structural equation models based on partial least squares (PLS-SEM), and multinomial logistic regression. The technique adopted in each paper was selected according to the type of relationships and the nature of the constructs that it investigates (Table 3).

According to Winkelmann and Boes (2006, p. 10), “if the dependent variable is continuous with support over the real line, there is no a priori argument for not using the linear regression model”. They follow on by maintaining that “this is the situation for which the linear regression model is best suited.” Such a situation is supported in the models explored in Papers I and IV, which employ a multiple regression analysis to investigate single relationships between one dependent variable and a set of independent variables. This means that data analysis in these papers encompasses the estimation of a regression equation that takes the form of Eq. 1 (control variables omitted), where $IV$ is the independent variable and $DV_i$, $1 \leq i \leq n$, are the dependent variables. In that equation, each dependent variable is a factor extracted with a confirmatory factor analysis from the dataset used in the paper, whose adequacy is assessed in terms of validity, reliability, and fit statistics (Hair, Black, et al., 2014). Also, $\beta_0$ is the intercept and $\beta_1 \cdots \beta_n$ represent regression parameters, while $\varepsilon$ is the residual term.

$$IV = \beta_0 + \beta_1 DV_1 + \cdots + \beta_{n-1} DV_{n-1} + \beta_n DV_n + \varepsilon \quad \text{(Eq. 1)}$$
Table 3. Overview of papers included in this thesis

<table>
<thead>
<tr>
<th>Study</th>
<th>Objective</th>
<th>Data</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper I</td>
<td>To examine a single relationship between one dependent variable (adoption of non-predictive strategies) and a set of independent variables (uncertainties of firm internationalization)</td>
<td>Survey data on emerging and developed country SMEs</td>
<td>Multiple regression</td>
</tr>
<tr>
<td>Paper II</td>
<td>To examine relationships between the adoption of non-predictive strategies, a set of its antecedents (knowledge-based resources) and its performance outcomes</td>
<td>Survey data on emerging and developed country SMEs</td>
<td>PLS-SEM</td>
</tr>
<tr>
<td>Paper III</td>
<td>To examine relationships between non-predictive strategies, selected principles of Effectuation, and international market performance</td>
<td>Survey data on emerging country SMEs</td>
<td>PLS-SEM</td>
</tr>
<tr>
<td>Paper IV</td>
<td>To examine a single relationship between a set of independent variables (among which predictive and non-predictive strategies) and a single dependent variable (international market performance)</td>
<td>Survey data on emerging and developed country SMEs</td>
<td>Multiple regression</td>
</tr>
<tr>
<td>Paper V</td>
<td>To examine relationships between a set of independent variables and a categorical dependent variable with more than two levels</td>
<td>Survey data on emerging and developed country SMEs</td>
<td>Multinomial logistic regression</td>
</tr>
</tbody>
</table>

It is important to mention that tests were performed to identify the possibility of multi-level effects represented in the way the sampled firms are aggregated within countries. These tests involved the estimation of linear mixed models employing random variables to account for country-level variance. However, such analyses identified no relevant effect, so the papers were developed using simple linear regression equations. Adequacy of the linear regression methodology was verified with tests for assumptions regarding the normality, linearity, homoscedasticity, and the absence of autocorrelation in the data (Field, 2013).

The models in Papers II and III, in turn, address multiple relationships involving non-predictive strategies and a set of independent variables, focusing on explaining international market performance. Hence, these papers use structural equation modeling (SEM) based on Partial Least Squares (PLS)—a variance-based technique that operates like a multiple regression analysis, selecting parameters that maximize the variance explained for the endogenous variables of the involved regression equations (Hair, Hult, et al.,
The estimation of a PLS model solves a system of multiple regression equations that has as many equations as the number of endogenous variables in the conceptual model. The endogenous variables represent the independent variables in these equations and each equation takes a form close to that of Eq. 1. This means that the methodology adopted in Papers II and III follows a paradigm similar to that of papers I and IV, from a statistical perspective. Such a scenario would be different with conventional covariance-based SEM (CB-SEM), for instance, which seeks to estimate how close a theoretical model is to the covariance matrix observed in a given sample.

Over the past few years, PLS-SEM has achieved increased popularity in various disciplines (Dash & Paul, 2021; Hair et al., 2012; Hair, Hollingsworth, et al., 2017; Kaufmann & Gaeckler, 2015; Peng & Lai, 2012; Richter et al., 2016, 2022). PLS-SEM models still offer the advantage of softening demands that methods such as CB-SEM impose on measurement scales, sample size, and residual distributions, while remaining robust against inadequacies such as multicollinearity, asymmetry, and omitted variable biases (Cassel et al., 1999; Hair, Hult, et al., 2014). These characteristics make PLS particularly appropriate when the research involves exploratory and theory development objectives (Henseler et al., 2014; Richter et al., 2016). This is to some extent the case of Papers II and III—while Paper II implements selected principles of Effectuation without employing established scales (Grégoire & Cherchem, 2020), the same happens with the measurements that Paper III adopts for supply-side and demand-side knowledge. The implementation of SEM-PLS in Papers II and III employs reflective measurement models, which means that measurement items are perceived as representing observed manifestations of their underlying construct, subject to measurement errors (Hair, Sarstedt, et al., 2017). Assessment of the path models included tests for the validity and reliability of the constructs and the use of bootstrap samples to verify the significance of the hypothesized relationships (Hair, Hult, et al., 2014).

In addition to these data analysis techniques, Paper V uses multinomial logistic regression to test hypotheses. Such a technique is selected in this paper because its dependent variable is a categorical variable with more than two levels that cannot be ordered in a meaningful way (Greene et al., 2022). In fact, in this paper, internationalization speed is used together with internationalization scope and internationalization rhythm (that is, the standard deviation of the internationalization speed observed between each consecutive pair of years) to identify discrete patterns that SMEs may adopt during foreign expansion. The multinomial logistic regression model generalizes the logistic regression technique to handle classification problems in which more than two discrete outcomes are possible. It takes one of the potential outcomes of the dependent variable as the reference category and helps to determine how the independent variables may affect the odds in favor of the remaining categories. Tests for the independence of irrelevant
alternatives (Hausman & McFadden, 1984) supported the use of this methodology in this paper.

The software adopted in Paper I and IV was SmartPLS 3 (Ringle et al., 2015), whereas Paper II, III and V relied on SPSS 22 (Field, 2013).

5.4. Assessment of biases in the survey data

A first potential concern regarding the data used in this thesis is non-respondent bias, meaning substantial differences between respondents and those who did not respond to the survey (Armstrong & Overton, 1977). Based on the idea that late respondents represent appropriate proxies for non-respondents (Rogelberg & Stanton, 2007), I compared initial and final respondents in each country using t-tests for firm age and size and found no evidence of such bias. Concerns could also emerge when the survey relies on only one interviewee per firm, which could result in misleading data (Bowman & Ambrosin, 1997). While it is difficult to identify this bias through statistical techniques (Roh et al., 2013), its influence can be assumed to be limited here because SMEs are marked by concentrated decision power (Andersson & Florén, 2008; Lefebvre et al., 1997) and because survey invitations were sent to the person responsible for international operations at each firm—thus, the most knowledgeable individuals available (Kumar et al., 1993).

Further concerns may come from the fact that the primary data used in this thesis comes from a survey instrument applied at a single point in time, involving self-reported measures. This scenario may make room for common method bias (CMB) (Chang et al., 2010), when the data exhibits artificial or inflated correlations that reflect the way the data was collected rather than variance attributable to the constructs and their measures (Podsakoff et al., 2003; Podsakoff & Organ, 1986). In light of that, both ex-ante and post-hoc approaches recommended to mitigate CMB were implemented (Chang et al., 2010; Podsakoff et al., 2003). This included, for instance, guaranteeing anonymity to respondents, distributing the questions measuring latent variables throughout the questionnaire, and assessing the potential presence of CMB in the datasets using Harman’s one-factor test. Reduced zero-order correlations and value inflation factors (VIFs) were also interpreted as signs of limited multicollinearity. The combination of primary and secondary data in some of the papers further contributes to minimizing the possibility of CMB affecting the analyses.

Finally, for multi-country studies it is important to investigate the existence of measurement invariance. This means considering whether item measurements are consistent across national subgroups (Steenkamp & Baumgartner, 1998; Vandenberg & Lance, 2000). To address this issue, bootstrap samples were used to compare item loads across the various pairs of countries with 95% of statistical confidence (Cheung & Lau, 2012). Such
comparisons were made using Bonferroni adjustment to avoid inflating Type I errors (Hair, Black, et al., 2014). This method allowed to compare the confidence intervals for the items observed in each country group without previous assumptions about the distribution of the data. If the country-specific confidence intervals for a given indicator overlap among groups, it can be assumed that there are no significant differences between countries for that item (Sarstedt et al., 2011). With this procedure, I identified no concerning invariance problem.
6. Summary of the papers

This chapter summarizes the six papers considered in this thesis. An overview of the papers, including the specific research question addressed in each paper, as well as the dependent and independent variables focused by each of them and their main findings, is presented in Table 4.

Paper I: Where business networks and institutions meet: Internationalization decision-making under uncertainty

Paper I addresses the connection between liabilities of foreignness and outsidership as determinants of the adoption of non-predictive strategies. Considering the role of these liabilities in the internationalization literature, the model proposed tests the effects of uncertainties derived from institutional forces and business networks using data from 758 SMEs from Brazil, China, Poland, Italy, and Sweden. Because such uncertainty types imply distinct kinds of challenges and dynamics, they may trigger the adoption of NPS differently. The model also acknowledges that the way firms react to a given uncertain environment may depend on their home market background, due to accumulated experience and competences. This is demonstrated by taking the home country (developed versus emerging) as a moderator variable.

Results of Paper I show a negative relationship between the uncertainty related to formal institutional distance and NPS, which is weaker for SMEs from emerging markets than for those from developed markets and stronger for firms relying on more stable business networks. The results also show a positive relationship between NPS and both the uncertainty related to cultural differences and that stemming from the lack of stability in the firms’ foreign business networks. The identified business network effects are consistent with the idea that networks and network relationships may provide firms with feelings of safety and stability when running foreign operations. The moderation of home country suggests that emerging market SMEs may have NPS as a necessary tool to create and develop business opportunities because of the environment where they grow.

Paper I advances a fine-grained understanding of the relationship between uncertainties associated with liabilities of foreignness and outsidership, on the one side, and entrepreneurial behavior in SME internationalization, on the
other side. It shows that it is not enough to know that uncertainty and liabilities matter; it is the specific type of uncertainty or liability that matters. The theoretical and empirical comparisons of emerging and developed country SMEs also represent an important contribution, given that such a comparative analysis is rare despite the fact that both IB and IE literature acknowledge its importance. In this sense, Paper I underlines the importance of both host and home markets in shaping how firms act in the face of uncertainties related to the liabilities of firm internationalization.

Paper II: Home country effects on SME’s non-predictive internationalization

Paper II discusses how institutional effects at home influence the performance that SMEs may get when leveraging different types of knowledge resources through non-predictive strategies. The hypotheses are tested with data surveyed from 851 SMEs, comparing firms from Brazil, China, Poland, on the one hand, with their counterparts from Italy and Sweden. While the former group represents prominent emerging economies in Latin America, Asia, and Central Europe, the latter one features traditional developed countries with mature SME ecosystems. Adopting an extended value chain perspective, the model lists supply-side knowledge and demand-side knowledge, in addition to internationalization knowledge, among the main resources that SMEs can leverage while operating abroad.

Results of Paper II show that emerging and developed market SMEs seem to differ in how effectively they can use internationalization knowledge, but no such differences seem to affect their use of supply-side knowledge. Due to the nature of internationalization knowledge as generic input for strategizing and operating abroad, it may be used in initiatives that are much more complex and subject to constraints than those powered by supply-side knowledge. Besides, resources obtained with supply-side knowledge tend to be accessed more easily since it helps firms relate to actors that are mainly in their same home market. Demand-side knowledge, in turn, did not yield statistically significant results. Although this could be due to measurement limitations, such a result could reflect a reduced relevance of demand-side knowledge for SMEs, which tend to operate in intermediate parts of their value chains and use exports or intermediaries to serve foreign markets.

Paper II contributes to a more contextualized view of decision-making in SME internationalization by highlighting the relevance of home-country effects in this process. As acknowledged by recent studies, home country institutions can sometimes be more relevant than internal resources and capabilities in influencing SMEs’ foreign expansion, shaping their strategies and international performance. This paper also adds to a knowledge-based
view of SME internationalization with a discussion of how SMEs seem to use different types of knowledge and how they can be affected differently when doing so. Despite the extensively discussed relevance of knowledge in SME internationalization, few studies have addressed explicitly what types of knowledge affect this process and how that happens.

Paper III: The role of business and social networks in the effectual internationalization: Insights from emerging market SMEs

The third paper discusses the mechanisms through which business and social networks influence the performance of firms’ effectual behavior during international expansion. The conceptual model departs from Effectuation’s overarching principle of non-predictive decision-making and the analysis of affordable losses as its preferred criterion for selecting between action paths. On the one hand, this model considers the insidership in business networks as a contextual boundary for the individual-level action addressed by Effectuation. Such a boundary is represented by the knowledge circulating in the firms’ business networks. On the other hand, the model acknowledges the mediating role of social networking activity in the realization of the performance effects of firms’ decisions. The model is tested with data surveyed from 469 SMEs from Brazil, China, and Poland, which are high-profile emerging markets in Latin America, Asia, and Central Europe.

Results of Paper III support a positive relationship between the use of non-predictive strategies and affordable losses by SMEs, which means making decisions based on costs that the firm can afford to lose. Such a relationship is negatively moderated by the knowledge circulating in the firms’ business networks, which simultaneously holds a direct positive effect on the use of affordable losses. Moreover, social networking exerts a full mediation of the effects resulting from both non-predictive strategies and affordable losses, in terms of international market performance. The moderating role of business network knowledge circulation highlights specification issues: the link between SMEs’ use of Effectuation and their international performance does not exhibit the same shape in all contexts but rather change with the firms’ business networks and their insidership (or outsidership) in such networks. The full mediation of social networking pictures social relationships not only as enablers, but also as constraints on firms’ international performance: there seems to be no room for performance outcomes from Effectuation outside SMEs’ social networks.

Paper III provides a rich understanding of the mechanisms behind the performance of SMEs’ effectual internationalization, distinguishing between the roles of business and social networks. In doing so, the paper brings the
business network perspective and its attention to elements of network insidership into SMEs’ effectual internationalization. The paper also provides quantitative evidence of the impacts of effectuation principles on firm internationalization, which has mostly relied on qualitative evidence. While qualitative studies are certainly important to capture the mechanisms behind processes in a contextualized perspective, quantitative results are necessary to ground more generalizable arguments.

Paper IV: The performance of decision-making strategies in SME internationalization

Paper IV looks at the simultaneity of prediction and non-prediction as drivers of international market performance under different kinds of foreign institutional environments. In this sense, the conceptual model anticipates the possibility of interacting effects between both strategies. Since the efficiency of firms’ international strategies can be affected by the business environment that they find abroad, it also accounts for the role of host market institutions in this process. This paper combines primary survey data taken from 851 SMEs in Brazil, China, Italy, Poland, and Sweden with secondary data retrieved from the Worldwide Governance Indicators computed by the World Bank. This secondary data is used to assess the quality of the institutions that the SMEs experience abroad.

Results of Paper IV support both independent and synergistic performance effects of predictive and non-predictive strategies, with firm size effects worth particular consideration. The synergistic effects between decision-making approaches only materialized for smaller firms, possibly reflecting the greater flexibility of their processes and structures to combine different decision-making approaches and act entrepreneurially. The results also demonstrate the importance of liabilities of foreignness by indicating that foreign market institutions affect the investigated effects differently. The negative interaction between foreign institutional development and prediction, only significant for smaller SMEs as well, suggests that this strategy can help firms pursue their goals in markets where there are higher risks. The positive interaction between foreign institutional development and NPS, in turn, is significant for larger SMEs and could indicate that the stronger rules and regulations in such markets may be better at encouraging firms to act with little planning without fearing unfair behaviors from other firms. It could also be that strong institutions configure more munificent environments in terms of advice, information, and subsidies, among other resources that firms can leverage into opportunities. These results are identified while controlling the model for effects of the firms’ home countries.
Paper IV contributes to the literature on SME internationalization by testing within a quantitative design the consensus that has been formed around the superiority of non-predictive strategies and by contextualizing the performance of SMEs’ decision-making strategies in both external and internal organizational terms. In this sense, the results in this paper specify and extend the approach usually adopted in most of the recent SME internationalization studies, which usually assume international markets as a general source of uncertainties that justify using non-predictive decision-making. It is also worth considering that this study is one of the first to test synergistic performance effects of prediction and non-prediction in SME internationalization, which have so far been mostly addressed in studies focused on domestic entrepreneurship contexts.

Paper V: SMEs’ regional diversification: Dynamic patterns and home market institutional determinants

Paper V discusses internationalization speed as part of the internationalization patterns of small and medium-sized enterprises (SMEs), while considering the influence of the modern regionalization of markets. More specifically, the conceptual model addresses firms’ regionalization patterns through three dimensions: scope, speed, and rhythm. Scope represents a spatial understanding of a regionalization pattern, whereas speed and rhythm embody its temporal characteristics. The model also considers the role of home markets in driving SMEs’ adoption of specific regionalization patterns, acknowledging that these firms tend to concentrate assets in the domestic market, using exports as the preferred entry mode, and rely on home government support for foreign expansion. The analysis leverages a cross-country survey of manufacturing SMEs from both developed and emerging economies—Brazil, China, Italy, Poland, and Sweden, besides data from the Global Entrepreneurship Monitor to test the effect of entrepreneurial and institutional environments on regionalization patterns.

Results of Paper V offer a nuanced picture of SME regionalization through the identification of three patterns: Intra-regionally focused firms, Late diversifiers, and Early diversifiers. While intra-regionally focused firms tend to remain concentrated in their home region over time, firms in the late diversified group can be compared with born-again global firms. Those are firms that expand aggressively but relatively late, usually after changes in ownership structure or business model. In turn, firms in the early diversified group could in principle be compared with Born global firms, which diversify internationally at a young age and at a rapid speed. In line with previous research, cognitive institutional support such as education targeted at entrepreneurship distinguishes both Early and Late diversifiers from Intra-
regionally focused firms. Normative institutional support seems to lead firms to be Early diversifiers, which may indicate that less-experienced firms are more vulnerable to normative pressures. Regulative institutional support does not show significant effects, maybe due to the domestic or intra-regional focus of regulations and policies focused on new venture creation and development. Additional findings include the identification that firms internationalizing in more recent years seem to be more likely to have an intra-regionally focused strategy than show early diversification.

Paper V builds upon and expands the regionalization rationale in the internationalization patterns literature with a discussion of dynamic patterns of regionalization over time. The paper also addresses the acknowledged, yet rarely investigated, country-level determinants to internationalization patterns by examining and explaining the influence of home country institutions. By doing so, it further nuances the influence mechanism of home country institutions on firm strategy beyond the boundaries of the country and links this contextual influence with the categorization of regionalization patterns. Finally, in contrast to existing studies that primarily explore the influence of the institutional setting on domestic business activities, this paper explores how home country institutions affect regionalization.

Paper VI: Trust and firm internationalization: Dark-side effects on internationalization speed and how to alleviate them

The sixth paper presents a conceptual discussion of how business network relationships may affect the dynamics of internationalization speed and establishes the influence of the firms’ adoption of effectuation on this relationship. It does so by drawing attention to the role of trust as a major element of business network internationalization, manifested as firms build insiderness in foreign networks. It also outlines conflicting effects that trust may have on internationalization speed: in short, this paper argues that internationalization speed is initially fostered by the bright side of trust but its dark side prevails as the firm strengthens its relationships with foreign business partners, becoming exposed to blind-faith, complacency, and resource misallocation.

Inspired by research on how to suppress the dark side of trust before it emerges, this paper identifies the choice between causation and effectuation as important in alleviating the negative effects of trust on internationalization speed. Causation allows firms to regularly evaluate older relationships, developing backup plans, and maintaining an awareness of profitability and potential losses, while effectuation may lead firms to suffer the effects of excessive trust because of its reliance on network partners and more abstract
definitions of success. The effect expected from these approaches to decision-making can be nonetheless moderated by the firms’ resource endowments, which may influence what kind of risks a firm is willing to accept and whether it may benefit more from serendipitous opportunities or portfolio investments.

Paper VI makes the role of trust explicit in the dynamics supporting internationalization speed and indicates that its bright side cannot be taken for granted. Such an approach allowed for new insights into how a firm’s internationalization speed can be affected by its foreign business relationships. The outlined role of trust and its dark side effect on internationalization speed illustrates a theoretical path that could benefit studies relating to other aspects of network internationalization. In addition to that, the idea that causation might be useful to alleviate the dark-side effects of trust influencing the speed of firm internationalization offers a more practical strategy than approaches seeking to control the level of trust in business relationships.
Table 4. An overview of the individual papers

<table>
<thead>
<tr>
<th>Paper</th>
<th>Research question</th>
<th>Explaining concepts (independent variables)</th>
<th>Explained concepts (dependent variables)</th>
<th>Main findings</th>
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| I     | Under what circumstances are SMEs more likely to adopt non-predictive strategy, considering the influence of their business networks, the institutional forces they experience, and the home market background affecting their internationalization? | • Institutional distance  
• Cultural differences  
• Business network stability  
• Home market | • Non-predictive strategy | Results support the effects of formal institutional distance and cultural differences on the use of non-predictive strategies by SMEs in internationalization decisions, which are not strictly positive. There is also evidence of contingency effects stemming from business network stability and of having an emerging market background |
| II    | How do home country effects influence SME internationalization when these firms make foreign expansion decisions relying on non-predictive strategy? | • Internationalization knowledge  
• Supply-side knowledge  
• Demand-side knowledge  
• Home market | • Non-predictive strategy  
• International market performance | Emerging and developed market SMEs seem to differ in how effectively they can use internationalization knowledge, but no such differences seem to affect their use of supply-side knowledge. Demand-side knowledge seems to be the least relevant knowledge type for the international market performance. |
| III   | What are the performance implications of the distinct mechanisms represented by business and social networks in the effectual internationalization? | • Non-predictive strategy  
• Business network knowledge circulation | • Affordable losses  
• Social networking  
• International market performance | Business networks represent contextual constraints for the individual action considered in the effectual internationalization, given the knowledge circulating in such networks. Performance effects of that individual action, in turn, are fully mediated by social networking efforts. |
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<th>Paper</th>
<th>Research question</th>
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<th>Main findings</th>
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| VI    | How do prediction and non-prediction affect SMEs’ international market performance, considering the effects of foreign institutions?           | • Predictive strategy  
• Non-predictive strategy  
• Foreign institutional development                                                                 | • International market performance                         | Results support both independent and synergistic performance effects of predictive and non-predictive strategies, but indicate that foreign market institutions affect each of these effects differently, with firm size effects worth particular consideration. |
| V     | How do SME regional diversification patterns develop over time and how are these patterns influenced by the SMEs’ home country institutions?     | • Home market institutions                                                                                   | • Regional diversification patterns                           | Results offer a nuanced picture of SME regional diversification through the identification of three patterns: Intra-regionally focused firms, Late inter-region diversifiers, and Early inter-region diversifiers. They also suggest that the adoption of these patterns is associated with aspects of SMEs’ home institutions. |
| VI    | How does the level of trust that a firm accumulates toward its foreign business partners affect its internationalization speed?                  | • Trust  
• Decision-making strategy  
• Resource availability                                                                                   | • Market-specific knowledge  
• Internationalization speed                                    | Internationalization speed can be seen as initially fostered by the bright side of trust but its dark side prevails as the firm strengthens its relationships with foreign business partners. The choice between predictive and non-predictive decision-making seems to be important in alleviating the potentially negative effects of trust on internationalization speed. |
7. Concluding discussion

7.1. Main findings

7.1.1. Antecedents to non-predictive strategy

Paper I revealed that the relationship between contextual uncertainty and non-predictive strategy adoption in SME internationalization is not as deterministic as sometimes suggested by extant research. That expectation seems to hold for cultural-related uncertainties and for those related to the lack of stability of foreign business networks, but not with formal institutional distance. Results like these could reflect the idea that uncertainty may be sometimes understood as opportunity material while in other contexts it may work as a constraint on forward internationalization (Liesch et al., 2011; Magnani & Zucchella, 2019). Cultural differences would materialize opportunity-inducing uncertainties, through which firms can identify customers with new profiles and preferences, whereas formal institutional distances may turn planning in a threshold cost to access the host market. In addition to that, Paper I also indicates that the stability of business networks may help to attenuate the need for NPS adoption both directly and indirectly. By reducing the uncertainties that could act as barrier to foreign expansion, business networks can be understood as a tool to work around the institutional challenges of internationalization. Overcoming the liability of outsidership seems thus to be indeed an effective way to address liabilities of foreignness.

This discussion is complemented by Paper II’s analysis of the importance of resources in the internationalization using non-predictive strategy, especially supply-side knowledge (SSK). Whereas both internationalization knowledge (IK) and SSK seem to support internationalization performance in such circumstances, the relationship involving SSK does not differ statistically between emerging and developed country SMEs. Although not necessarily surprising, these findings gain another perspective in discussions of firm internationalization under the challenges of foreignness and outsidership. In fact, SSK informs SMEs about means that can extend their resource base and allow them to create new opportunities (La Rocca et al., 2019). It can also help these firms operationalize flexible strategies under uncertainty (Wathne & Heide, 2004) and reveals resources that can be used in innovation efforts (Lee & Schmidt, 2017). If SMEs have enough SSK to find good and capable suppliers at home, they may find ways to address foreign
requirements without having to leave the domestic market. This possibly indicates that the tools to overcome the liabilities of firm internationalization may be found closer than an SME manager may imagine, at least in what comes to dealing with the liability of foreignness.

7.1.2. Outcomes of non-predictive strategy

Paper III shows that the knowledge circulating in the business network may compensate for the focus on uncertainty caused by the adoption of non-predictive strategies, in part reducing the need for an affordable losses reasoning. At the same time, however, such availability of knowledge may damage the firms’ competitive advantage and/or accelerate the formation of competition (Cerrato & Depperu, 2011), forcing them to focus on their cost structures and the issues under their control. Social networking, in turn, seems to fully mediate the performance of non-predictive strategies (as also shown by the results of Paper III). This could stem from the idea that social networking offers a channel for SMEs to expand into foreign markets in a non-systematic way, despite their intrinsic limitations. Therefore, the insights that Paper II offered for the possibility of overcoming the liabilities of firm internationalization by tapping on domestic networks of suppliers seem to be indeed limited to the handling of the liability of foreignness.

Paper IV broadens this discussion by evaluating jointly the independent and synergistic effects of predictive and non-predictive strategies under the influence of foreign institutional development (FID). In this vein, Paper IV finds a negative connection between FID and the performance of predictive strategies among smaller firms, possibly reflecting the fact that it is more difficult for firms to embrace risk as they become larger (Sirén et al., 2017). This paper also identified a positive interaction between NPS and FID, significant only for medium-sized firms. Such a result might suggest that only larger SMEs may be self-confident enough to perceive foreign markets with strong institutions as places where they can venture with no structured strategy. The traditionally explicit nature of rules in developed markets makes it less likely that smaller firms are just not aware of their potential benefits. Hence, it seems to be the case that these firms may not see such contexts as safe enough to grant a failure-free environment for the lack of structure of non-predictive decisions. This could mean that smaller SMEs may also perceive liabilities of foreignness even in markets where they could find fair treatment and supportive institutions.

Paper V addresses the patterns that SMEs follow abroad in a world that is increasingly marked by regional borders, contrasting Intra-regionally focused firms with Early and Late diversifiers—firms that embrace opportunities across regional markets in different moments in time. While the availability of entrepreneurship-related education at home seems to make firms more likely to diversify across regions at some point, normative social pressure
seems capable of a similar effect particularly in the initial years of foreign expansion. The fact that SMEs may expand across regions early or late suggests at least two different situations in which firms may overcome liabilities of (regional) foreignness. Early in their internationalization journey, the normative pressure of adopting a behavior that is socially understood as “good” or “appropriate” legitimates efforts towards such ends (Scott, 1995), despite the risks and challenges involved. When firms gain more experiential knowledge, they may be more likely to build on their own choices and priorities than to give in to isomorphic pressures. Without knowledge targeted at entrepreneurship that could give them the tools to handle foreign market uncertainty, it is likely that these firms will limit their foreign activity to the borders of their home region.

Finally, Paper VI addresses internationalization speed as an outcome of interest while seeing internationalization as a process that progresses based on the development of trust-based relationships with foreign partners. The dark-side of such relationships emerges when insidership in foreign business networks turns into over-embeddedness, meaning that strongly interconnected relationships form a network that limits the firm’s room for maneuver (Blankenburg Holm et al., 2015; Forsgren, 2016). In this context, non-predictive strategies seem to further complicate things to the extent that they may lead firms to prioritize alignment with foreign partners and the use of abstract criteria to evaluate business relationships (Chandler et al., 2011; Sarasvathy et al., 2014). Predictive strategies may help firms to suppress the dark side of close business relationships before it emerges (Anderson & Jap, 2005; Dant & Gleiberman, 2011), systematically assessing the performance and utility of those relationships rather than letting them develop organically. A firm using causation will focus on pursuing well-defined, quantitative goals such as increasing foreign market share or foreign sales in specific markets. It will show a more pragmatic approach towards internationalization, first selecting a target market and only then start looking for ways to overcome eventual liabilities. Firms pursuing effectuation, on the other hand, are more likely to be bounded by their business networks if there is over-embeddedness. This should be especially true if the firm has a minimum level of resources that could be deployed in other strategies but sees such resources captured by its dedication to ineffective business relationships.

7.2. Modern challenges to firm internationalization

7.2.1. Effects of deepened liabilities of foreignness
Deglobalization and the COVID-19 pandemic configure a context for firm internationalization where the already popular VUCA conditions (that is, volatility, uncertainty, complexity, and ambiguity) are much more amplified
Semi-globalization (Enderwick & Buckley, 2020) and decoupling (Tan & Yang, 2021; Witt et al., 2021) are broad dynamics that are potentialized by those phenomena and which hold direct consequences for the liabilities of foreignness that firms experience abroad. One aspect that makes the modern institutional challenges different than crises experienced in the recent history is its effects on taken-for-granted assumptions about the stability and normality of developed markets (Hartwell & Devinney, 2021). It is in developed markets that Brexit and the Trumpism captained the current anti-globalization wave, which in the last case was particularly targeted at China and foreigners in some way associated with that country (Tan & Yang, 2021). It is in developed markets that populist and nationalist movements gained more traction out of the social unrest caused by the sanitary measures necessary to contain the pandemic. This situation fostered animosity against foreigners and particular ethnic groups (Moynihan & Porumbescu, 2020). Hence, the institutional change in developed markets is not only a structural transformation separated from the individuals and firms that it may affect—its essence is linked to the identities and connections of these individuals. Such instability in developed markets deepens the liabilities for foreign firms in specific ways and offers room for broadening our understanding of this phenomenon.

Outcomes of this renewed context for liabilities of foreignness can be anticipated by looking at the papers included in this thesis and the effects that they associated with those liabilities. In this vein, whereas Paper I shows that cultural-related differences between home and host countries seem to be positively related with non-predictive strategy (NPS), it also indicates that higher formal institutional distance seems to reduce the use of such a decision-making approach. While it is not possible to rank cultural differences, the effects of formal institutional distance can be related to considering whether companies experience better or worse institutions abroad (Kostova et al., 2020). Formal institutional distance was measured in Paper I in a way such that it is higher when home market institutions are stronger than host market institutions, and lower otherwise. This means that NPS adoption seems to be reduced when firms are challenged to understand weak foreign market rules in advance to entering a host country, but can be fostered when firms are entering places where relatively stable and clear institutions allow for non-structured action. Besides that, after controlling for home country effects, Paper IV identified that medium-sized firms experience a positive performance interaction between NPS and foreign institutional development. This result was interpreted as suggesting a mechanism that could affect the firms’ entrepreneurial motivation—only larger SMEs may be self-confident enough to perceive foreign markets with strong institutions as places where they can venture with no structured strategy.

Both of the mentioned effects can be associated with liabilities of foreignness, either in terms of the distance that firms experience between
home and host markets or in terms of the level of access or challenges that foreign firms experience in a host location (Mezias, 2002). They rely on mechanisms that indicate how firms can behave when interacting with institutions abroad, which essentially implies dealing with structural challenges and exogenous uncertainty (Hartwell & Devinney, 2021). The modern context identified in developed markets, however, makes institutional challenges and the uncertainties that firms experience in those places rather situational. Although there is still a structural backdrop for foreignness, the challenges that firms face abroad are increasingly dependent on their identities (like their nationality) and their actions (like who they associate with, whether they hold connections with specific governments and actors abroad, and what is their attitude toward particular social issues). This creates room for endogenous uncertainty, which is a form of uncertainty that can be directly influenced by the individual firm and its actions (Griffin & Grote, 2020).

Whereas exogenous uncertainty such as that existing in the structural differences between countries allows for passive learning, endogenous uncertainty requires that firms engage in active, experiential learning (Chi et al., 2019; Sears, 2019). It is thus not enough for firms to absorb existing information to know how to act abroad—they need to engage with the market and learn by doing, without the possibility of expecting well-defined outcomes from their actions. This is exactly the decision-making approach that firms may exhibit when following a non-predictive strategy (NPS). Therefore, the changes implied by deglobalization, boosted by the COVID-19 pandemic, seem to replace the reasons discussed in Paper I for the adoption of NPS in developed markets. Instead of adopting NPS when facing less difficulties to understand the rules of the markets that they enter, SMEs may currently feel the need to adopt it because their host markets now require engagement with learning by doing to handle endogenous uncertainty. These firms need to consider how their identities and decisions affect the way they are perceived and the access that they can get to the benefits of the local market.

On top of that, the undermining of assumptions about the strength of local institutions in developed markets and its benefits could compromise the firms’ motivation to act entrepreneurially there through the adoption of NPS. This motivation was identified especially among larger SMEs in Paper IV and could suffer if these firms no longer feel confidence in their ability to access local benefits in their host markets. These combined dynamics outline a situation in which NPS adoption seems to become increasingly necessary to navigate developed economies because of the endogeneity of institutional-related uncertainty while firms may not have enough confidence that employing such a strategy will result in benefits for them. The outcome of these effects could include SMEs becoming progressively locked out of developed markets. They may be more likely to focus their internationalization efforts within their home region or in neighboring regions that have similar institutions and institutional challenges, particularly when
they come from emerging markets. This would intensify the regionalization of markets that has been observed in more recent years, as identified in Paper V. To this extent, the following can be proposed:

P1. Disruptions associated with deglobalization and the COVID-19 pandemic tend to reduce emerging market SMEs’ access to developed markets, increasing their adoption of intra-regional strategies.

P2. Among the emerging market SMEs that are able to enter developed markets while internationalizing in the context of deglobalization and COVID-19 pandemic, NPS adoption tends to be stronger because of the need to handle endogenous uncertainty as part of their liabilities of foreignness.

7.2.2. Effects of deepened liabilities of outsidership

Besides deepening and transforming the liabilities of foreignness, deglobalization and the COVID-19 pandemic also have implications for the working mechanisms of businesses networks and the liabilities of outsidership. One such implications relates to the conflicting dynamics implied by the expansion of internet-based activities, which is a phenomenon that has been under way over the last few years and has only been accelerated by the pandemic (Soto-Acosta, 2020). Although the transition to an online environment can make it easier for firms to access and leverage valuable resources (Banalieva & Dhanaraj, 2019; Nambisan, 2017), engage in collaborative arrangements and access final customers (Li et al., 2019; Nambisan et al., 2019), and upgrade their capabilities (Oliveira et al., 2021), it also brings specific challenges. For instance, it can be highly difficult to exchange more tacit, experience-based information while having to rely on virtual tools only (Moen et al., 2008). It can be thus be more difficult to develop business relationships in an online environment without close contact. The abundance of disinformation and malicious activities in the digital world may also force firms to look for additional ways of demonstrating their correctness and honest intentions to potential partners (OECD, 2020). This crisis of trust in information is part of the turbulence that has threatened the foundations of globalization, corrupting the potential that digital platforms have to support informed debates and decision-making (Mansell et al., 2019).

The circulation of information in business networks can be associated with mechanisms that affect the firms’ decision-making, as discussed in Paper III, and the way their internationalization progress over time, as addressed in Paper VI. From Paper III, the availability of strategic and reliable information in the network may reduce the uncertainty that firms experience abroad but at the same time expose them to enhanced competition. From Paper VI, the exchange of information and the associated development of trust between business partners can support further internationalization up to the point that
excessive trust may result in over-embeddedness. When firms turn to the internet and digital platforms and have to deal with the challenges of processing and transmitting information with digital tools, these processes may be interrupted or slowed down. The difficulty for exchanging tacit information and the noise caused by misinformation are likely to undermine information flows and trust development, especially for SMEs that are likely to have limited resources to handle these issues.

The least that can be expected from such a situation is the maintenance of the uncertainties that surround SMEs in the international markets, given their problems for accessing trusted information and the consequent difficulties to overcoming the liabilities of outsidership. According to Zahra (2021), the disruption of SMEs’ networks by trade wars, populist movements and the COVID-19 pandemic can reduce these firms’ access to information and resources flows and put their growth and survival at risk. This could reinforce the need for non-predictive internationalization as suggested by Paper I, which indicates that the lack of stable and supportive business networks can lead to NPS adoption. As trust development is possibly harmed by the dark effects of digital technologies on information circulation (Verbeke & Hutzschenreuter, 2021), in turn, it may also reduce the probability that firms may fall prey to developing excessive trust on their partners. This could help them to avoid the decelerated internationalization that could result from establishing a strongly inter-connected web of relationships. Such a scenario could make weak ties more relevant to understanding internationalization speed, as in the model developed by Oviatt and McDougall (2005).

The idea that weak ties may become increasingly relevant in international businesses is reinforced by another implication of deglobalization and the COVID-19 pandemic for the mechanisms of business networks: the disruption of global supply chains. Initially driven by anti-globalization policies requiring companies to re-shore operations and jobs, such disruptions continued with sanitary impacts of the pandemic that revealed fragilities in the international dependencies of the modern economic system (McKinnon et al., 2021). This is illustrated by the dramatic situation installed in multiple industries threatened by a global shortage in the supply of critical inputs such as semiconductors (Solomon, 2021). Cases like this one have turned supply stability and resilience into strategic topics for governments (Schewe, 2021) and survival issues for firms (Essa, 2022; Ivanov, 2021). Among major efforts in this direction, the need for diversifying suppliers and business partners has been greatly emphasized (Ivanov, 2021; Münk & Hartmann, 2022) and finds support in literature on resilience that defends the importance of keeping options open instead of focusing on relationship-specific investments (Kamalahmadi & Parast, 2016). Paper II’s results about the importance of the supply-side of the value chain for SMEs’ internationalization indicates that investing in the suggested resilience strategies may pay off especially for these firms. In this sense, it is possible to propose:
P3. The trust crisis associated with the current expansion of internet-based activities is likely to reinforce the adoption of non-predictive strategies by SMEs during internationalization.

P4. The expansion of internet-based activities and the disruption of global supply chains in modern international markets are likely to make weak ties more relevant than strong ties for understanding the speed of SME internationalization.

7.3. Implications for theory

This thesis delivers at least two theoretical contributions that go beyond the discussion of SMEs and touch the more general research stream on firm internationalization. On the one hand, this study details the way decision-making within firms may be driven and shaped by the uncertainties and challenges associated with liabilities of outsidership and foreignness. It has been largely identified that the major paradigms of internationalization research tend to treat the firm as a black-box, without detailing the decisions that guide its internationalization efforts (Aharoni et al., 2011; Coviello et al., 2017; Maitland & Sammartino, 2015; Schweizer & Vahlne, 2022). On top of that, the lack of a strong theoretical starting point has delayed attempts at examining decision-making within firms together with the liabilities of firm internationalization (Dash & Ranjan, 2019). This thesis contributed to addressing this gap by: i) selecting the specific theoretical principle of non-predictive strategy from Sarasvathy’s (2001) Effectuation and making it a core component of the discussion; ii) connecting the firms’ decision-making to the liabilities of outsidership and foreignness through theoretical links identified in the working mechanisms of business networks and institutions behind them; iii) considering the convergence of both empirical and theoretical arguments concentrated in two distinct outcomes (performance and speed), which creates conditions for cross-validation of findings and triangulation of discussion.

Previous research have already anticipated that Effectuation, with its non-predictive nature, could help firms to overcome liabilities of outsidership (Fiedler et al., 2017; Galkina & Chetty, 2015; Kalinic et al., 2014) and foreignness (Dash & Ranjan, 2019; Evers & O’Gorman, 2011). Some limitations in these studies, however, compromise the extrapolation of their discussion. One such limitation is that the idea of simply overcoming a liability, without further discussion of its related mechanisms, does not allow for a discretization of the challenges faced by firms or an explicit comparison of distinct scenarios of liabilities. Next, the idea that a decision-making approach can be used to overcome a liability situation also carries the idea that decisions and liabilities represent distinct, separable phenomena—as if the use
of a non-predictive decision-approach could make firms immune to the liabilities of internationalization. Third, the identified studies do not address outsidership and foreignness simultaneously and tend to focus mostly on network dynamics at the expense of other theoretical mechanisms, even when they discuss foreignness. By breaking with these three limitations, this thesis develops a more dynamic and flexible exploration of the role of decision-making under the challenges presented by foreign markets.

A second theoretical contribution from this thesis comes from leveraging the empirical findings into propositions that shed light on the potential effects stemming from deglobalization and COVID-19. The disruption caused by these phenomena is gradually entering the agenda of academic research, with some scholars outlining the need for a theoretical repositioning in extant knowledge to account for the new problems faced by firms (Verbeke & Yuan, 2021; Witt, 2019b). Such a reaction is not surprising, given that the International Business field in general, and internationalization research in particular, has already been presented as driven by the challenge of addressing new empirical phenomena (Buckley, 2002; Buckley et al., 2017; Johanson & Vahlne, 2003). However, a field whose progress depends on the identification of the next big empirical question to be solved risks being labelled as atheoretical and essentially descriptive (Shenkar, 2004).

In this thesis, I illustrate an alternative path for addressing novel problems such as those related to deglobalization and COVID-19, without the need to introduce new constructs or theories. In the specific context discussed in this thesis, this is possible thanks to the identification of mechanisms that allow considering the liabilities of outsidership and foreignness as channels for the manifestation of the considered disruptions. As I presented on section 4.2, deglobalization and the COVID-19 pandemic can be seen as factors that contribute to an intensification of the liabilities of outsidership and foreignness. Those disruptions truly represent a new chapter in a discussion of the difficulties obstructing internationalization, but that does not mean necessarily that only new theories and frameworks will illuminate the new realities. This is emphasized by the fact that my propositions extrapolating the expected dynamics for modern firms are grounded on empirical findings obtained from data sampled before the pandemic. To this extent, with this thesis I hope to motivate new efforts exploring the generativity of the internationalization research field.

7.4. Implications for practice: A microdata analysis perspective

This thesis also offers at least two practical implications to how we perceive decision-making in firm internationalization. One such implications is related
to the modelling and handling of uncertainty in that context. According to Dias' et al. (2012) review of uncertainty-handling in decision support systems (DSS), probabilistic approaches appear as the most frequent uncertainty modelling techniques. The authors explain that probabilistic approaches build on behavioral axioms to use probabilities as measures for the degree of belief in the occurrence of an event. While the review by Dias et al. (2012) is already completing 10 years, it is still useful to consider the findings of this thesis against their picture of the conventional understanding of uncertainty in decision-making.

Among the alternatives to probabilistic approaches mentioned by Dias et al. (2012), adaptations of scenario analysis seem to be interesting to handle the kind of problems discussed in this thesis. Scenario planning is a technique that has been incorporated by multiple firms in attempts to examine fundamental uncertainties in their industries (Schoemaker, 1993). Although most proponents of such a technique seem to leave the selection of the preferred path to informed judgement, it is possible to combine it with techniques that support the formal selection and analysis of the alternative decision paths (Stewart & Durbach, 2016). In particular, situations where severe uncertainty creates ignorance regarding exact probabilities may welcome what can be called minimum regret solutions (Dias et al., 2012). This means that, instead of maximizing some expected utility of the identified scenarios, decision-makers can focus on minimizing their maximum expected losses (Loomes & Sugden, 1982; Savage, 1951; Yager, 2004). This idea is coherent with the association of non-predictive strategies with the affordable losses principle in Sarasvathy's (2001) Effectuation theory. As non-predictive strategies become increasingly relevant to study SME internationalization as defended in this thesis, we can expect to see a richer ground for applications of scenario analysis with decision models based on regret as an alternative to probabilistic approaches to uncertainty in decision-making.

As a second contribution, by evaluating the challenges of internationalization decision-making under deglobalization and COVID-19, this thesis adds to the discussion of support tools and recommendations for firms under intensive stress and disaster scenarios. Besides recommendations by consultancy companies, scholarly contributions have been increasingly identified especially in topics such as supply chain management affected by disruption (e.g., Govindan et al., 2020; Schätter et al., 2019; Tarei et al., 2020; Tsiamas & Rahimifard, 2021). As Dias' et al. (2012, p. 258) review already identified, there has been a trend that “recognizes the need to use well-structured decision models, and combine them with expert knowledge, to deal with several sources of uncertainty and reach robust conclusions”. Now that the pandemic seems to gradually recede and allow for the incremental return of business activities, it is mostly natural to expect that firms resume international operations and require support to handle the new landscape. By leveraging the experience of SMEs internationalizing under complicate
conditions, this thesis points to avenues to be explored in the development of theoretically-grounded advice and decision support systems relevant to the modern dynamics of firm internationalization.

7.5. Limitations and future research

The findings presented in this thesis should be considered in light of some limitations, starting with the fact that it did not address specific decisions involved in the internationalization process, like foreign market selection or entry mode choices. Instead, this thesis discussed internationalization-related decisions in a general sense. Existing literature has demonstrated that firms can use different decision models for different decisions (Chetty et al., 2015) or at different stages of international expansion (Kalinic et al., 2014), although such findings can be contradictory (Karami et al., 2020). The measurement items used in this thesis only give insights about the most usual way in which the interviewed firms approach internationalization problems and make decisions about them. Future studies looking at specific internationalization-related decisions will certainly help to advance the discussion developed here.

The use of cross-sectional data represents an additional limitation, given the lack of explicit time lag between the independent and dependent variables. This issue prevents the direct analysis of causal relationships leading to the outcomes of interest, with results only showing correlations. In light of that, the discussion developed from the analyses relied on theoretical linkages and connections with findings from previous studies to consider the direction and meaning of the identified effects. Future studies using panel data could address this limitation and help to understand more precisely the effects outlined in this study. In addition to that, studies using more recent data and looking specifically at the topic of decision-making under the issues of foreignness and outsidership should be able to verify with more accuracy the effects that I derived in association with the modern challenges of deglobalization and COVID-19. The analysis of such topics in this thesis leveraged findings obtained from data collected before the pandemic, which is certainly another limitation worth remembering. Yet, the propositions developed out of this process seem to point to promising avenues to be explored.

7.6. Final remarks

This thesis explored what lessons from SME foreign market expansion can help to understand internationalization decision-making under challenging circumstances. The findings of the individual papers help to understand how the liabilities of foreignness and outsidership can be associated with uncertainties that, together with the resources available to the firms, can lead
SMEs to adopt non-predictive strategies to operate abroad. In addition to that, they also indicate how elements of those liabilities can be perceived in dynamics that moderate outcomes of the strategies selected by the SMEs. Such findings provided a platform to extrapolate insights and propositions to advance the discussion of internationalization decision-making under modern challenges such as deglobalization and the COVID-19 pandemic. Theoretical implications of this thesis touch the more general research stream on firm internationalization, whereas its practical implications may help in evolving support tools for assisting internationalization decision-making.
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