

**TITLE :** “Decision-making in internationalization in the SME context”

**Abstract**

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Decisions a firm makes, in relation to how to enter and which markets to enter in global markets are an integral part of internationalization process. However, even though managerial decision-making process focusing on foreign investments has been a subject of debates for years there is a lack of rigorous analyses how these decisions are being made. In our paper we will be focusing on how firms make decisions about their international operations, i.e. how they compete internationally, and how to study management behaviour by using experiments.

Experiments can be used to study validate or contest findings that have arisen from the use of other methodologies. They are actually good to examine aspects of the phenomena which would be difficult to validate by other means. In the international business context, for example, it makes sense to study market and entry mode choice by using quasi-experiments, as in many cases firms do not change entry mode very often. Further, exporting is very dominant entry mode and we would have less data about some entry modes if we would use qualitative case studies or even small scale quantitative survey for data collection. Buckley et al. (2007: 1072) point out that “experimental approach allows us both to incorporate insights from the process tradition and to highlight potential managerial biases including self-interest”.

To be able to provide guidance about experiments in IB domain, we explain our project focusing on decision-making in internationalisation with empirical data collection taking place in Bangladesh and Finland. We developed a questionnaire with two scenario-based between- subjects experiments integrating existing theories. First experiment focuses on testing hypotheses related to the export entry mode choice between sales agent and sales subsidiary, and the second is designed for testing hypotheses related to entry modes which provide more control but also more risky (that is wholly owned subsidiary and equity-based joint venture).

In the focal quasi-experiment scenarios, we asked respondents (managers of internationally operating firms) to imagine themselves as organizational decision makers of a fictitious firm. We then asked them to decide between two entry modes (in each category). We applied between- subject designs, and thus each respondent received only one randomized scenario from each of these two sets of experiments. We explain the reasoning behind our choices and provide guidance how to use experiments in international business research.

## Bio

Olli Kuivalainen is Professor of International Marketing and Entrepreneurship at LUT University School of Business and Management (Finland). His expertise covers broad areas of international business, marketing and entrepreneurship and their interplay. Current research topics are, for example, in the domain of international entrepreneurship, and decision-making in internationalisation. His academic work has been published in journals such as Journal of International Business Studies, Journal of World Business, International Business Review, International Marketing Review, Journal of International Marketing, Industrial Marketing Management, Technovation, and International Small Business Journal.