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SMEs' decision-making at the pre- internationalization phase

The interplay of causation and effectuation

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ABSTRACT:

The internationalization of small and medium-sized enterprises (SMEs) has been of increasing interest to the research community. This is due to the important role of SMEs in national economies as well as in the global marketplace. SMEs are key players in creating jobs, boosting digital transformation, and helping societies to achieve Sustainable Development Goals. The SME internationalization research has two popular approaches: the traditional stages models and new phenomena, such as born globals and international new ventures. The stages models, most notably the Uppsala model, involve a pre-internationalization phase. Regardless of some models created to illustrate SMEs' activities during this phase, it remains an understudied topic. Especially the decision-making during the pre-internationalization phase has not been researched enough. This thesis aims to study how SMEs are using the two decision-making logics – causation and effectuation - when they prepare to expand operations to foreign markets.

The theoretical framework of this thesis consists of three chapters on major theories of internationalization, the pre-internationalization phase, and SME decision making. This framework provides the theoretical viewpoints for conducting the research and analyzing the findings. Specifically, the theoretical part of this thesis introduces three major theories of internationalization concerning SMEs: the Uppsala model, the network theory, and the International new ventures theory. Further, it examines the concept of pre-internationalization and what SMEs are experiencing before the expansion to foreign markets. Lastly, it discusses SME decision making concentrating on the two different but complementary logics: causation and effectuation. The research methodology selected for conducting this study is a qualitative, single-case study since it offers the best tool for identifying the logic behind the case firm's decisions.

This study shows that SMEs use both logics – causation, and effectuation – during the pre-internationalization phase. However, the dominant logic behind the decisions related to the upcoming internationalization is effectuation. This study proposes which of the two logics SMEs tend to emphasize in their decisions depending on the field of operations. The author identifies four categories: target markets, product and competitors, networks, and resources. This study shows that decisions concerning product and competitors, networks, and resources follow effectual logic. Decisions concerning target markets follow causal logic. SMEs combine the two logics in such a way that they create synergy. The managerial implications of this study are aimed especially at the decision-makers in internationalizing SMEs who have no prior experience of international operations. Besides, the findings of this study are interesting for scholars studying internationalization or SME decision-making.

KEYWORDS: international business, SME decision-making logic, effectuation, causation, pre-internationalization, internationalization

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Abbreviations

BG	Born global
HR	Human resource
ICT	Information and communication technology
INV	International new venture
MNE	Multinational enterprise
SME	Small and medium-sized enterprises

1 Introduction

1.1 Background of the study

Small and medium-sized enterprises (SMEs) are the engine of the global economy. They are the main source of employment, added value, and innovation. SMEs represent more than 95 % of all firms and create 60-70 % of the jobs. In the EU SMEs represent 99% of all businesses (OECD 2017). They play a key role in national economies around the world from advanced industrialized countries to emergent economies. SMEs are in the spotlight when governments are trying to resolve problems of low growth, high inequality, and problems related to sustainable development (Robu 2013; OECD 2017). The ongoing COVID-19 pandemic affects SMEs in multiple dimensions including reduced sales and lack of cash (World Bank 2020). After that, there are already new challenges on the horizon. The world's working-age population will grow up to 700 million people between the years 2019 and 2035 (World Bank 2021). New jobs are needed to absorb the growing global workforce. Many of them will be employed by SMEs. These factors, among others, make SMEs' development a high priority for governments around the globe (World Bank 2021).

One crucial area in the SMEs' development is the strengthening of international activities. SMEs' internationalization opens new markets and raises the competitiveness and economic growth of nations substantially. SMEs, in turn, also receive benefits from their international activities, such as higher turnover growth, higher employment growth, and innovation boosts (European Commission 2014). Due to the economic growth effect of their cross-border activities, the internationalization of entrepreneurial SMEs is an important topic (European commission 2007). An important aspect of the internationalization of SMEs is the pre-internationalization phase. Pre-internationalization as a research area is understudied. Most of the research in this field focuses on internationalization which has already happened (Meschi et al. 2021) while the phase before remains mostly unexplored.

1.2 Research gap

The process of internationalization of SMEs has been widely studied from different perspectives for several decades. (Ribau et al. 2018). There are three main domains of internationalization research: the traditional approach (Welch & Luostarinen 1988; Johanson & Vahlne 1977) the international entrepreneurship approach (Cavusgil & Knight 1996; 2004; 2005; Oviatt & McDougall 1994), and the network approach (Johanson & Mattson 1988). Regardless of the abundance of internationalization research, fewer studies have been conducted about the pre-internationalization phase. The literature has not adequately addressed firms' situations before expanding their activities across domestic markets (Lamb & Liesch 2002; Luostarinen & Welch 1990). Regardless of some efforts to shed light on how firms behave before their expansion overseas (Tan et al. 2007; 2005; Caughey & Chetty 1994; Wiedersheim-Paul et al. 1978; 1975), the pre-internationalization phase remains largely undeveloped. Therefore, what happens in firms in terms of their preparations to expand to foreign markets with no prior experience in doing it and no initial commitment to international operations remains an understudied topic.

Concurrently, the literature lacks research on how decisions are made in SMEs at the pre-internationalization phase (Chetty et al. 2015; Nummela et al. 2014; Zahra et al. 2005), even though the decisions have a significant impact on the future of the firm. Given the central role of decision-making in internationalization, it is important to understand better SME decision making (Knight & Liesch 2002) and how SMEs decide to engage in international activities (Schweizer 2012). While there is a plethora of different theories of decision making, one of the influential approaches to examine the decision-making of internationalizing SMEs has been effectuation (Sarvasvathy 2001). This theory distinguishes two different but complementary logics of acting and reasoning. Causation is seen as the goal-oriented approach to decision making and the entrepreneurial process. In this model, an entrepreneur has a clear vision of where he/she is aiming, and all decisions and actions serve the fulfillment of the ultimate pre-set goal.

Effectuation, instead, is more pragmatic and implies constantly search for opportunities to employ limited resources creatively to ultimately create some new product or service. The essence of effectuation is the logic of control versus logic of prediction (Karami et al. 2020). The theory of effectuation has been applied in SME internationalization in terms of opportunity discovery and creation. However, the application remains fragmented (Karami et al. 2020). Causation and effectuation coexist during new venture internationalization and firms can even apply the two logics simultaneously (Ciszewska-Mlinaric et al. 2016). Still, there is a need to better understand how SMEs use causation and effectuation as well as the interplay between the two logics in their decisions while preparing for internationalization.

1.3 Research question and intended contributions

Based on the above-mentioned research gap, the corresponding research question of the study is:

“How do causation and effectuation interact in the SME decision making at the pre-internationalization phase?”

The author intends to answer the above-mentioned question by conducting a study with a Finnish firm that is planning to expand its operations outside Finland and, therefore, is at the pre-internationalization phase. To answer the research question, the author sets up supportive objectives which help to find the answer. The first objective is to review the existing literature about pre-internationalization and Sarasvathy's (2001) theory of effectuation. The second objective is to research a real-life case firm's decision making while it is preparing for internationalization. The third objective is to make propositions about which of the two logics is dominant in different fields of the case firm's operations.

This study provides several theoretical contributions. First, it focuses on a largely neglected but important phase of pre-internationalization (Tan et al. 2007; 2005; Wie-

dersheim-Paul et al. 1975; 1978). The findings of the study complement the research about pre-internationalization by offering a decision-making perspective as well as offering an up-to-date case study. Second, the findings of the study also contribute to effectuation research (Sarasvathy 2001; 2008). The study attempts to combine the theory of effectuation with the decision making of internationalizing SMEs and, therefore, provides a new perspective to the research field. This study also provides practical contributions. The findings of this study will help the case firm to identify its decision-making logic during the pre-internationalization phase. With the help of the increased understanding of the logic, the case firm can improve its decision making.

1.4 Main concepts and definitions

This part provides definitions of the key terms used in this thesis.

Small and medium-sized enterprises (SMEs) are usually defined either by the number of employees or the size of revenue. Many organizations have their definitions for SMEs. In this study, SMEs are defined according to OECD (2005) as “Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union”. To complement the OECD’s definition the World Bank (2021) states that there is no international standard firm size for SMEs, but many institutions use the following size categories: small enterprises have 10-49 employees, and medium-sized enterprises have 50-249 employees.

Decision making has been studied in several fields of science and it has different definitions depending on the context. In this study, decision making is defined according to Jarzabkowski (2005) as a contextually embedded activity that leads to a course of action. This study is also aligned with the idea of decision making as an act of processing information. It means the transformation of knowledge and information into managerial actions (Galbraith 1974; March 1991; Weick 1979).

Causation is a decision-making logic, which is defined in this study according to Sarasvathy (2001: 245), as processes which “take a particular effect as given and focus on selecting between means to create that effect”.

Effectuation is a decision-making logic, which is defined according to Sarasvathy (2001: 245), as processes which “take a set of means as given and focus on selecting between possible effects that can be created with that set of means”.

Internationalization is an ambiguous concept that has been defined in different ways. There is not only one, but several definitions for internationalization. It can be defined according to European Commission (2014) as to “all activities that put SMEs into a meaningful business relationship with a foreign partner”. Dutot et al. (2014: 674) define internationalization in their own words: “the internationalization of a firm is the outward movement of its operations and the process of mobilization, accumulation, and development of a specific set of resources to achieve greater performance”. The above-mentioned definitions are aligned with the author’s understanding of the concept. However, to complement the two definitions Welch & Luostarinen (1988: 36) state that internationalization is simply a “process of increasing involvement in international operations”.

1.5 Structure of the study

The structure of the study follows systematically the basic structure of a scientific report. It is divided into five main chapters. The first chapter is the introduction which discusses the background of the study, research gap, research question and intended contributions, main concepts, and definitions, and concludes with the structure of the study. The second chapter is the theoretical part which is divided into three sub-chapters. The first sub-chapter introduces three main theories of internationalization. The second sub-chapter discusses the research about the pre-internationalization phase. The third sub-chapter introduces the theory of effectuation, and it is divided

into three sections: causation and effectuation, five principles of effectuation, and causal vs. effectual reasoning. The third chapter of the study discusses the methodology. This chapter is divided into five sub-chapters: research philosophy and approach, research strategy and purpose, data collection and analysis, quality of the study, and ethics of the study. The fourth sub-chapter of the methodology section is divided into two parts: reliability and validity, and Guba's four criteria. The fourth chapter is called findings and discussion. It is divided into four sub-chapters: target markets, product and competitors, networks, and resources. The fifth chapter is called conclusions and it is the last main chapter of the study. This chapter is divided into five sub-chapters: conclusions to the research question, theoretical implications, managerial implications, limitations of the study, and suggestions for future research. After the last chapter follow references and appendices of the study.

2 Theoretical part

This section aims to systematically present the relevant theories of the chosen topic. This theoretical part consists of an overview of the three most important theories of a firm's internationalization followed by the pre-internationalization phase. The second part consists of the decision making of SMEs; it concentrates on causal and effectual reasoning and their characteristics.

2.1 Major theories of internationalization

Academics have presented several approaches and models which attempt to explain how and why the internationalization process of firms occurs. The Uppsala model (sometimes called the stage model) is perhaps the most traditional theory to describe the step-by-step internationalization process in which individual firms gradually increase their operations in foreign markets by acquiring, integrating, and using international market knowledge. It was introduced in 1977 by Johanson and Vahlne and the model is based on a study of the internationalization processes of four Swedish firms with operations in 20 different countries.

The Uppsala model highlights the gradual and incremental character of internationalization. It argues that market uncertainty in international operations is usually related to limited knowledge about the foreign market, therefore firms tend to follow an incremental internationalization path and manage better the limited knowledge of the foreign market (Johanson & Vahlne 1977). Firms expand to foreign markets through learning and gaining experience. Learning is understood as a dynamic process of accumulating knowledge through accessing market information or collecting business experience. Firms seek experiential knowledge about the clients and the market. When a sufficient amount of knowledge is gained, the firm can proceed to the next stage or phase of international expansion and commit more resources to the target market. There are four major steps presented in the Uppsala model. These steps are no regular export activities, export activities via independent representatives or agents, the estab-

lishment of a foreign subsidiary, and foreign manufacturing units. Rather than expanding simultaneously to several countries, the model concentrates on the extension of involvement in individual markets (Johanson & Vahlne 1977; 1990).

Network theory was introduced by Johanson and Mattson (1988) and it defines the process of a firm's internationalization as the establishment, maintenance, and development with participants of a network in foreign markets. The network theory highlights the importance of developing long-term interactions with those participants of foreign market networks. The degree of internationalization is seen as the extent to which the firm occupies certain positions within international networks as well as the degree of importance and integration of the positions (Johanson & Mattsson 1988: 297).

Networks tend to offer information that lowers the risk and uncertainty inherent in international operations (Liesch et al. 2002). Building and maintaining crucial networks are an essential part of the internationalization process as input as well as output of the process. International networks are important for the firm's strategic planning, but they are too difficult to be incorporated into the strategic process. The networks are difficult to control and predict. They tend to develop to directions that are unplanned or unseen (Liesch et al. 2002; Welch & Welch 1996). The network theory also includes the concept of market internationalization, in other words, network internationalization. Depending on the current network position of the firm there are three ways to improve. The firm can conduct international extension, international penetration, or international integration. The overall degree of a firm's internationalization, as well as the level of market internationalization, affects the internationalization process (Johanson & Mattsson 1988).

International new ventures (INV) theory was first introduced in the early 1990s by Oviatt and McDougall (1994). The authors defined an INV as "a business organization that, from inception, seeks to derive significant competitive advantage from the use of re-

sources and the sale of outputs in multiple countries” (Oviatt and McDougall 1994: 49). The term INV can be understood as a firm that internationalizes early in its life cycle, so the focus of the INV concept is on the age when examining the firm’s ability to internationalize. The international expansion of INVs can occur simultaneously with the domestic phase or soon after the domestic phase at an accelerated speed. This is the main factor that differentiates INVs from the traditional models of internationalization.

Oviatt and McDougal (1994) name four types of INVs which are based on the number of countries they operate in as well as the coordination of the firm’s value chain activities: Export Start-up, Multinational Trader, Geographically Focused Start-up, and Global Start-up. Perhaps the most radical form of INV is called a born global (BG) which was defined as “small, technology-oriented companies that operate in international markets from the earliest days of their establishment” by Knight & Cavusgil (1996). BGs can also be defined as “a new venture with a global niche market focus from day one” (Moen et al. 2008). In contrast to the limited resources that usually restrict new businesses, BGs conduct international sales from the early stage after the inception (Cavusgil & Knight 2009). They grow in numbers and challenge the traditional views on internationalization which was long dominated by MNEs (Knight & Cavusgil 2004). Oviatt & McDougall (1994) argue that INVs which internationalize fast have existed for years, but researchers have overlooked them as an important group in the global marketplace. The INVs have distinguishable characteristics compared to the traditional international firms. The emphasis of the INV concept lies within entrepreneurial behavior and its implications to global startup creation. This behavior is one of the key elements in explaining the birth of INVs (Oviatt & McDougall 1994).

Percentage of foreign sales on total sales	high	Geographically Focused Start-up	Global Start-up
	low	Export Start-up	Multinational Trader
		few	many
		Number of countries involved	

Figure 1. Types of International New Ventures (Oviatt & McDougall 1994: 59)

2.2 Pre-internationalization phase

The pre-internationalization phase is a rarely studied topic in the internationalization literature. Wiedersheim-Paul et al. (1975; 1978) consider it in their pre-export model. The model stresses the pre-export activities of the firm as an important explanation for the start of exporting and internationalization process. The authors highlight the importance of organizational learning of the firm which happens in the phase before exporting and include factors, such as, characteristics of the decision-maker, enterprise environment, extra-regional expansion of the firm, and information. In the pre-internationalization phase, experience is accumulated through constant interaction between the firm and its environment. Wiedersheim-Paul et al. (1978) focused on domestically owned manufacturing firms that start as non-exporters selling only to local markets before export start. The proposed model can be treated as a basic model upon which the later models are built.

The first aspect of the model is the characteristics of the decision-maker that have an impact on the firm's behavior in the pre-export phase. These characteristics operate at

two levels in the pre-export model: in influencing factors and in influencing their perception. For example, exposure to attention-evoking factors and perceiving them can be higher with a person who has gained experience from earlier involvement in international operations. A decision maker's former experience combined with his/her value system creates a value profile that is complex to measure. However, Wiedersheim-Paul et al. (1978) state that the most important aspect of the value profile is the decision maker's international outlook. A person with a high degree of international orientation is likely to be exposed to attention-evoking factors as well as perceiving them which will have an impact on the firm's behavior in the pre-export phase.

The second explanatory factor of the model is the domestic environment and location of the firm, especially from the information flow -perspective (Wiedersheim-Paul et al. 1978). The authors state that urban areas are favorable places for firms due to the enterprise environment. These areas tend to create information centers that can benefit export-seeking firms in many ways. By operating in an information center firms' personnel are exposed to an environment that contains exporting firms and can therefore create positive attitudes towards exporting and international activities. According to the authors, information centers create face-to-face situations which tend to change attitudes. On the other hand, domestic locations away from information centers can be a disadvantage due to lack of exposure to information flows and cause firms to suffer from spatial bias. (Wiedersheim-Paul 1978). However, it needs to be taken into account that the model is more than 40 years old and the environment in which many SMEs operate is nowadays different. The recent development of information technology has changed the operating environment and the importance of physical location might not be as important as it used to be.

The authors have selected four characteristics of the firm which are of special importance in the pre-export phase (Wiedersheim-Paul et al. 1978). These characteristics are goals of the firm, product line, history of the firm, and extra-regional expansion. The authors state that the desire for sales stability with growth was the most frequent-

ly mentioned reason for firms' to consider expanding operations to foreign markets. Export operations can offer other sources of sales and growth which makes the firms less vulnerable to possible fluctuations in their domestic markets. Products can be described in different dimensions. The degree of standardization and degree of complexity are stated in the model. However, the authors argue that the most important factor of the product line is the software/hardware relationship in the total amount of sales. According to Wiedersheim-Paul et al. (1978) products with less software are easier to sell since there is less information flow between seller and customer. Products with higher software content require more information flow and closer contacts which decreases the possibility of outside firms getting new orders. This might have been the case in the late 1970s, but it is certainly not the case anymore. Internet and IT are everywhere, and a significant number of new firms concentrate on creating software.

The history of the firm is an important factor in the pre-internationalization phase. Past behavior and actions may constraint the firm's ability to respond to new situations and adapt to new strategies. History does not determine the future, but it has an impact on the expected future operations. Extra-regional expansion is also mentioned in the model, and it means that firms move to less familiar territories within the country of origin and might face different barriers due to different operational environments. Some of the barriers which the firm encounters during its extra-regional expansion are similar to those of foreign market expansion. In both situations, barriers are overcome and the firm develops skills to solve problems the relative foreignness of the distant market is reduced. (Wiedersheim-Paul et al. 1978). However, the differences between different regions within several countries as well as the differences between countries around the globe have generally reduced due to the high level of IT. They still do exist, but might not be as strong as they used to be in the late 1970s.

The last aspect of the pre-export model is the attention-evoking factors. These are factors or influences which cause a firm to consider export activities as a possible strategy. Sometimes attention evoking factors can be latent but only in their active form they

are included in the pre-export model. They can be divided into two categories which are internal attention-evokers and external attention-evokers. Internal attention-evokers are unique competence which refers to a situation in which the firm has already developed a unique competence that can be spread further to international markets and the opportunity cost of the asset is very low or even zero. Another internal attention-evoker concerns the excess capacity of resources.

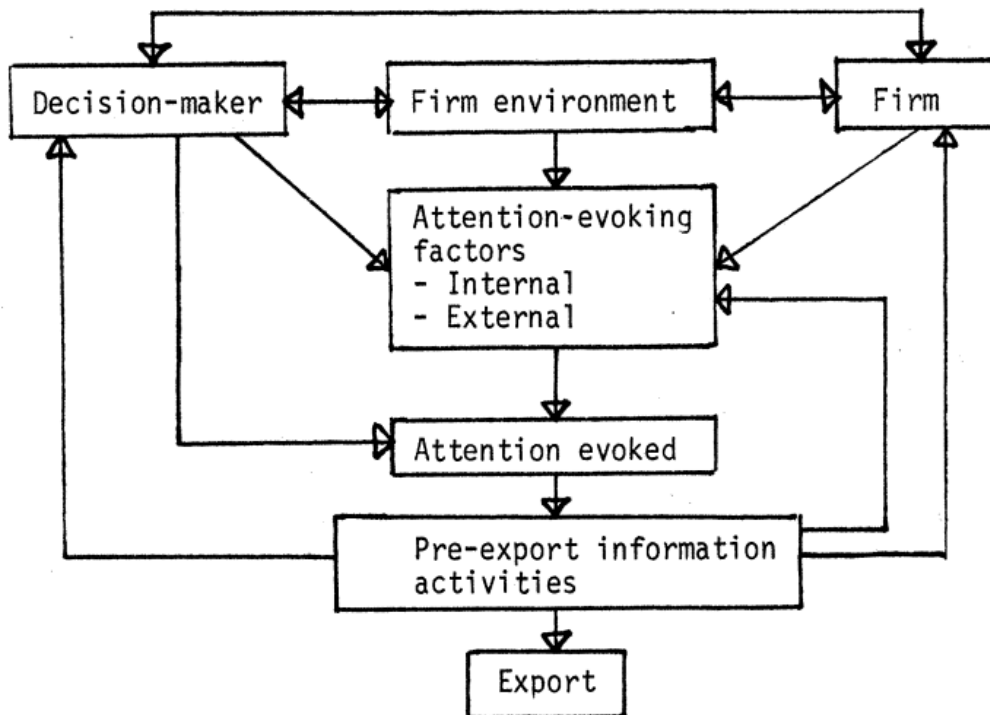


Figure 2. Factors affecting the Pre-Export Activities of the Firm (Wiedersheim-Paul et al. 1978: 48)

According to Tan et al. (2005), the pre-export model has some similarities with Uppsala Model from Johanson & Vahlne (1977) since both define internationalization as phases or stages which create a path. Once a firm has accumulated enough knowledge and experience it can proceed to the next stage and continue learning. However, the Uppsala model starts from the commencement of internationalization while the pre-export model highlights the phase before the expansion into foreign markets. The pre-export model was later also tested through a multiple-case study (Caughney & Chetty 1994).

After the research, there has not been a significant scholarly interest in the pre-internationalization stage. It seems that focusing on new domains of internationalization, such as born globals, and the network perspective has shifted researchers' interest away from questions of the origin of internationalization and the pre-internationalization period.

The interest of the research community to study further the pre-internationalization remained at a low level until 2005 when Tan et al. published their study of firms' activities and development before the export start. The authors use the term export start as a synonym for what is understood as the start of internationalization in this study. Tan et al. (2005) point out that the inadequate knowledge of the pre-internationalization phase is a research gap in theories that are based around the Uppsala model. They argue that while the Uppsala Model explores the incremental process of acquiring knowledge and increasing the foreign market commitment there is a pre-internationalization phase occurring before the foreign market commitment described in the Uppsala model (Tan et al. 2005). In other words, the authors introduced an idea that there would be a stage before the start of international operations and the internationalization does not appear, all of a sudden, from nowhere. As an attempt to establish a connection from the pre-internationalization phase to an international firm, Tan et al. (2008) propose an Internationalization Readiness Index (IRI) which was published in 2008. The authors created the IRI as a diagnostic tool that could be used to assess a firm's receptivity to commence its international activities. The IRI is based on a survey of 274 Australian exporting and non-exporting firms which were selected randomly from all industries (Tan et al. 2008). The authors identified four fundamental concepts which are proposed as a basis for the construction of the IRI. These four concepts are internal and external stimuli, firm resources, attitudinal/psychological commitment, and lateral rigidity.

The first concept of the IRI is the internal and external stimuli. Both impact on firms' initial international involvement as well as their following development (Bilkey 1978;

Leonidou 1995). There are several important internal stimuli for export. For example, the nature of the product in terms of its innovation, nature of input and degree of standardization (Vernon 1966), characteristics of the firm and its management (Wiedersheim-Paul et al. 1975; Oviatt & McDougall 1994), knowledge and experience of network relationships (Hakansson 1982). The second concept is the firm's tangible and intangible resources are an important factor for firms' long-term sustainable long-term competitive advantage especially in the resource-based view (Wernfelt 1984). Tangible resources include financial or human-related attributes, product attributes, investment in research and development. (Tan et al. 2005; 2008).

The third concept of the IRI is attitudinal/psychological commitment. It tends to take place at the pre-internationalization stage when a decision-maker is exposed to a stimulus or a triggering factor. Decision-maker starts to seek information and to evaluate different possible strategies regarding the future of the firm. This happens due to psychological and attitudinal commitment to the idea of internationalization. This impulse might not lead to the expansion of the firm's operations to foreign markets. However, the firm may continue to explore the opportunities of internationalization which can lead to the involvement of resources in internationalization. Resource commitment happens only after the decision-maker decides to engage in the internationalization process. (Tan et al. 2005; 2008).

The fourth concept is lateral rigidity which is a behavioral characteristic. It causes resistance in decision making and acts as a moderating effect in the process (Luostarinen 1979). Lateral rigidity refers to a restricted perception of stimuli factors and the inability of the firm to react due to different reasons. According to Luostarinen (1979), the reasons are resources constraint, a biased search that results in limited information, or confinement of choices because of risk avoidance and uncertainty. Lateral rigidity helps to understand the unpredictable actions firms take in their internationalization decisions. When lateral rigidity is included in the index it provides a more complete explanation as to why firms might not proceed internationalization process regardless of the

sufficient information and exposure to stimuli. Due to this factor, the firm might not engage in international operations but remains in the pre-internationalization phase (Tan et al. 2005; 2008).

After the publication of the IRI, the authors continued their research and introduced a multiple-item index which is called the Export Readiness Index (ERI) (Tan et al. 2010). It was created through a survey of 290 Australian SMEs and, as a result, they introduced an 8-factor model which serves as a practical tool for both exporting and non-exporting SMEs. For a non-exporter, the ERI offers an opportunity to better understand what is needed for exporting, and for exporting firms it offers a better understanding of their strengths and weaknesses. The ERI consists of 8 factors which are presented in table 1. All other factors are drivers for export readiness except factors 5 and 6 which act as inhibitors. The factors are presented in the table below with explanations.

1. Market similarities and advantages	Perception by the decision-maker that a potential export market shares similarities with the domestic market in terms of culture and language, and as a stable currency exchange rate.
2. Growth and profits potential	Perception by the decision-maker that there are additional profits and growth prospects for the firm through engaging in export operations.
3. Limited growth and profits	Perception by the decision-maker that the firm's domestic market has limited scope for expansion and that profits derived through local sales could be declining.
4. Market evaluation and assessment	Decision-makers' response to export stimuli through an internal and external assessment for export feasibility.
5. Satisfaction, complacency, and aversion to changes	Decision-makers' unwillingness to respond to export stimuli due to satisfaction with the firm's current state of operations.
6. Limited knowledge and experience	Decision-makers' unwillingness to respond to export stimuli due to lack of knowledge and experience in export operations and requirements.
7. Managerial competence	Decision-makers' perception is that the firm has resource strength in the form of competent managers who are driven by the benefits of exporting.
8. Network membership and ties	Decision-makers' perception that the firm has resource strength in the form of network membership and business ties with other firms.

Table 1. The eight factors of the Export Readiness Index (Tan et al. 2010; 17-18)

2.3 SME decision making

Decision making is a crucial function of every organization regardless of its size. According to Rogers & Blenko (2006) “every success, every mishap, every opportunity seized or missed is the result of a decision that someone made or failed to make”. Fast implementation of good decisions, eventually, determines the performance of an organization (Rogers & Blenko 2006). The interest towards the decision-making process of SMEs’ and the decision making concerning the internationalization of SMEs is evident. The success of SMEs’ is largely dependent on their strategic decision making (Robinson & Pearce 1983). Regardless of the interest towards SMEs and entrepreneurial firms, the decision-making process in these firms is still largely unexplored (Ogarcă 2010). SMEs play a key role in the modern market economy which means that the strategic decision-making of SMEs’ can be considered essential for the whole of economic development.

SMEs’ decision making differs from that of large firms (Wilson & Nutt 2010). Many decision-making theories are developed for multinational enterprises (MNEs) and, are then extrapolated to SMEs (Aharoni et al. 2011; Hauser et al. 2019). This does not work since SMEs are structurally different and behave differently (Knight & Liesch 2016). There are several reasons why SMEs’ decision making differs from that of MNEs. SMEs are usually led by one or a few individuals which leads them to follow individualized leadership (Oviatt & McDougall 1994; Vershinina et al. 2017). Individualized leadership means that managers’ and leaders’ characteristics, actions, and interpretations are likely to affect strategic decisions including internationalization decisions (Hsu et al. 2013; Nielsen & Nielsen 2011; Nordman & Melén 2008). SMEs also tend to face greater information scarcity during their internationalization (Buckley 1989) and are likely to rely significantly on information from network partners and connections (Vershinina et al. 2017). The scarcity of information, as well as other resources, combined with decisions taken by few individuals, may lead to situations in which resource scarcity has a greater impact on decisions than “rational pursuit” of clear strategic goals (Evers & O’Gorman 2011).

Ogarcă (2010), states that organizational decision making identifies three important components which are in constant interaction with each other. These components are the environment, the decision-maker (in SMEs it is usually the owner-manager), and the strategic process itself. Traditionally, most theories about decision-making highlight three main components: the environment, the specific characteristics of the decision to be taken, and the entrepreneur. In the context of SMEs, the three most common determinants are the top management team, environment, and firm resources (Mitchell et al. 2011). According to Busenitz & Barney (1997), entrepreneurs are more susceptible to heuristics and decision-making biases than decision makers in large organizations. The framework for entrepreneurial decision making is presented in figure 3.

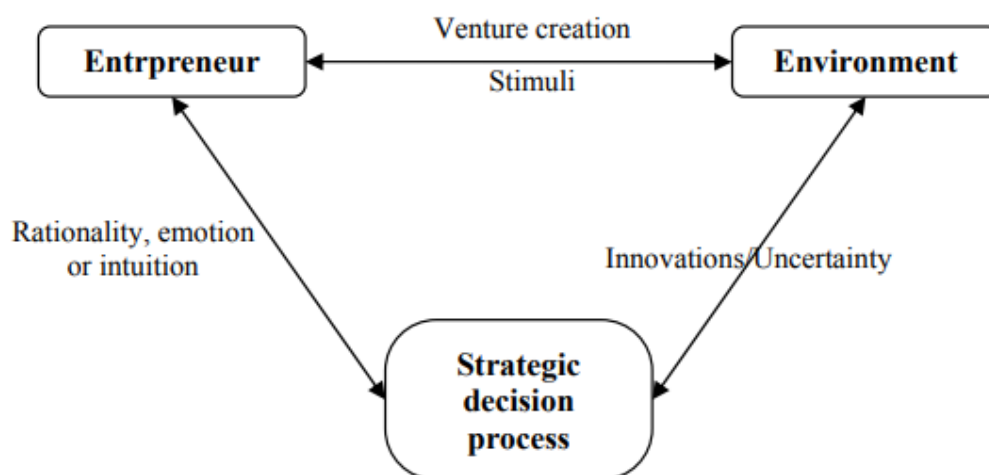


Figure 3. A Framework for Entrepreneurial decision making (Ogarcă 2010: 9)

Several models illustrate the decision-making process. They aim to provide a comprehensive interpretation of the decision-making process as possible. However, all firms are different and have their own characteristics in their decision-making process. There are, still, some basic elements that are present in most SMEs and the model from Ogarcă (2010: 13) can be used as an illustration of an average SME decision-making pro-

cess. It is somewhat an average illustration of the main stages and moments of an SME decision-making process. The process is presented in figure 4.

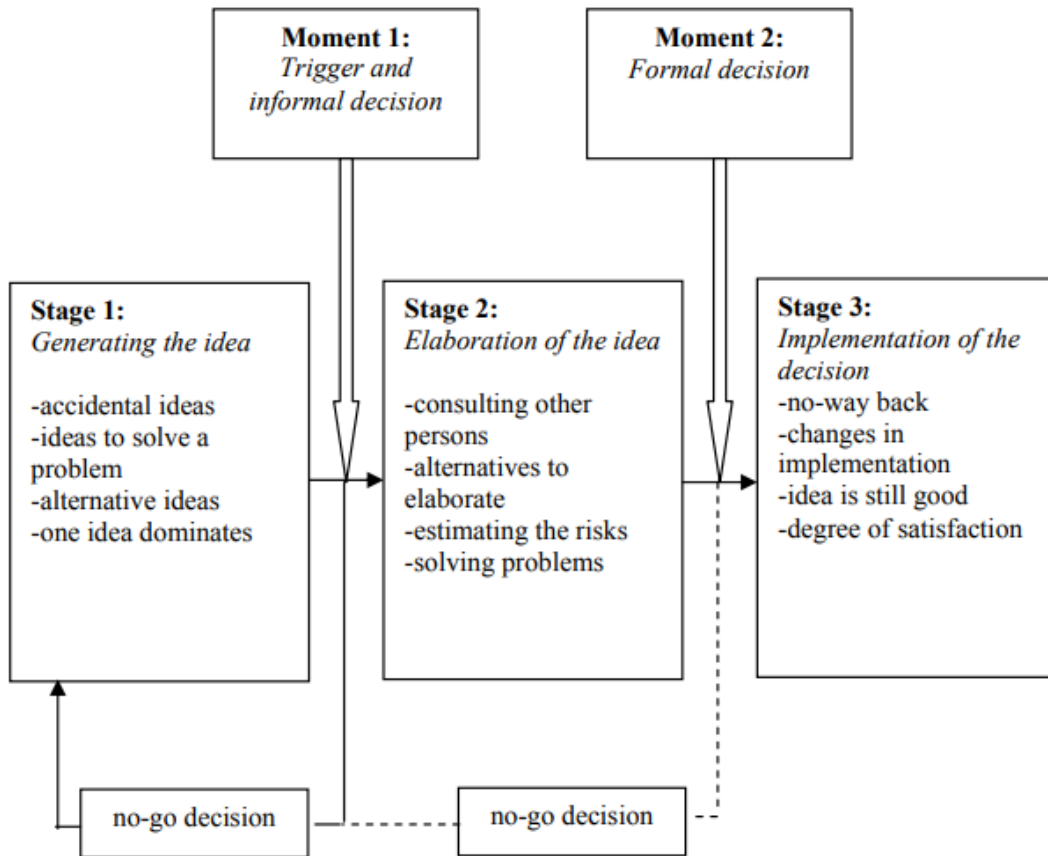


Figure 4. Developed model of the decision-making process by SMEs (Gibcus & Van Hoesel 2004: 5)

The first step of the decision-making process is the generation of an idea which is typically a result of an incubation process. According to Gibcus & Van Hoesel (2004), it is usually the first idea that develops into a decision with only a small amount of adjustments. The authors argue that it is an indication of the predominance of emotional elements. Regardless of the absence of pressure in the decision-making process, the entrepreneurs tend not to develop alternative solutions for the original idea at the early stage. Before proceeding to the next stage, a trigger and an informal decision are needed. At this point, there is always a possibility to make the no-go decision which

moves the process back to the first stage of generating the idea. The trigger acts as a stimulus that determines the decision maker or the entrepreneur to clarify the idea. When the informal decision is taken it is not written. It embodies as an intention in the entrepreneur's mind and can be observed, for example, as a verbal agreement between the associates. After the informal decision, the whole process continues to the second stage that is called the elaboration of the idea. (Gibcus & Van Hoesel, 2004).

At the second stage, different alternatives are evaluated and analyzed. However, the authors argue that the alternatives are usually not real alternatives but some shadings around the original idea. The alternatives might not challenge the basic idea and they are evaluated practically only from the economical perspective which means comparing costs and benefits. Usually, the original idea stays unaffected. In this stage, third parties, such as bankers, advisers, employees are also consulted. All the possible risks and obstacles concerning the idea are diagnosed. Regardless of the correct evaluation of risks and obstacles, the entrepreneur tends to overtop the problems. After the second stage, there is a crucial moment of the process – the formal decision which leads to the third and final stage of the decision-making process. The third stage is the implementation of the idea. The main problems associated with this stage are the financial ones. The possible difficulties which are encountered in this stage do not discourage the entrepreneur nor force them to revise their decisions. If the idea has reached the point of implementation, it is rarely canceled even if there was a good reason to stop the implementation. (Gibcus & Van Hoesel 2004). The decision-making process model of Gibcus & Van Hoesel (2004) is only one way of approaching the decision making of SMEs. However, there are other approaches to the decision-making logic. The theory of causation and effectuation concentrates more on entrepreneurial SMEs and the reasoning behind the decision-making logic.

2.3.1 Causation and effectuation

Sarasvathy introduced the theory of effectuation at the beginning of the 2000s (2001; 2008) as an approach to understand the creation of new ventures under conditions of uncertainty using the concept of decision-making logic. She proposed the theory after studying how expert entrepreneurs think about problems and different ways of solving them. Effectuation means that the decision-maker has a set of means or resources, and he/she makes the most of it. Effectuation explains how entrepreneurs can make decisions based on resources they already possess rather than making decisions based on pre-selected goals. When following the effectual logic, the entrepreneur starts by building on the existing resources with the help of his/her knowledge and contacts aiming towards new effects and unanticipated ends rather than pre-selected goals. Effectuation is based on resources that the firm or entrepreneur already possesses rather than defining clear goals. (Sarasvathy 2001; 2008).

Effectuation works by identifying the further step by assessing the resources available to achieve goals, while continuously balancing these goals with available resources. It has special importance in situations where the future is unknowable or human agency is of primary importance. In her theory, Sarasvathy (2001; 2008) explores techniques of non-predictive control for creating new firms, markets, and economic opportunities. Effectuation can be defined as the logic of thinking which can be utilized by entrepreneurs to start businesses and take actions. It provides a tool to control the unpredictable future. Effectuation helps entrepreneurs to operate in situations in which the future is not only unknown but unknowable. By following the effectual logic entrepreneurs can shape the future and minimize the need to predict it. The effectuation approach contrasts with the causation approach in which a particular effect is taken as given and the entrepreneur focuses on selecting the means to create that effect. (Sarasvathy 2001; 2008).

Causation is a decision-making logic, which aims to reach goals that have been set in advance by following causal paths and minimization of unexpected outcomes. To reach

the goals decision-maker chooses the best means available to reach the pre-selected goals. Causation is traditionally used in management and economics as an approach to explain the operations of a new business venture (Mäkimurto-Koivumaa & Puhakka 2013). It is described as a planned and rational approach to decision-making. Causal reasoning works so that first the goal is set and then the necessary means are chosen to reach the goal. Causation first targets a return, and then works to minimize associated risk. It tries to minimize the probability of unexpected outcomes and to reach the goal effectively. The reached outcome can be compared to the original goal and the performance can be evaluated.

According to Sarasvathy (2001), the most common process to create a new business following the causation approach includes defining the total market (segmentation), choosing the target market (targeting), and choosing the position in the target market (positioning). The whole process is based on the prediction about the estimated size of the target market and the expected market share. The risk is minimized by gathering as much information to support the decision process as possible. Information is collected from several sources (statistics, market analysis) which require time and resources. By using the causation approach the entrepreneur goes through several steps, including defining the goal or decision to be made, deciding the set of alternative means, considering possible constraints and specifying the criteria for selecting between the means (Sarasvathy 2001). Entrepreneurship and entrepreneurial opportunities are often thought to be born following the causal logic. However, this is a mistake concerning entrepreneurship (Mäkimurto-Koivumaa & Puhakka 2013; Sarasvathy 2004). Genuine entrepreneurship is a creation of different entrepreneurial opportunities in which the initial situation as well as the end situation, are largely unknown (Sarasvathy et al. 2003).

2.3.2 Five principles of effectuation

There are five principles in effectual logic. The first principle is the “Bird-in-hand principle” which focuses on starting with available means. The entrepreneur asks questions,

such as, who I am, what I know, and whom I know. The idea is to perform actions based on the means available and create opportunities that originate from resources available for entrepreneurs. (Sarasvathy 2001; 2008).

The second principle is called the “Affordable-loss principle” which focuses on limiting the risk by investing only the amount of resources that the entrepreneur is willing to lose. He/she understands what can be lost at each step of the process. The next step is taken within the constraints of the accepted risk level. By doing this the entrepreneur ensures that not all is lost if the downside ends up happening. The venture does not end if something unexpected happens since only the predefined amount of resources is lost. (Sarasvathy 2001; 2008).

The third principle is the “Lemonade principle” which means identifying difficulties as possibilities. Mistakes and adversities are inevitable, and they are a part of entrepreneurial activities as well as part of every new venture. Instead of letting “bad news” to end projects, the entrepreneur interprets them as opportunities for development and learning. These surprises are seen as drivers for the firm to find new solutions and to create new markets. Eventually, these difficulties are the drivers of the firms’ long-term success. (Sarasvathy 2001; 2008).

The fourth principle is the “Patchwork-quilt principle” which encourages entrepreneurs to form partnerships with people and organizations that are willing to make real commitments and jointly creating the future product, firm, or market with the entrepreneur. It is important for entrepreneurs to enter collaborations and partnerships at an early stage of the venture to bring new resources into the project. The partnerships are formed with self-selected stakeholders and provide reduction of uncertainty. The entrepreneur is encouraged to find partners who are willing to commit rather than finding partners who might not be available or motivated to participate. (Sarasvathy 2001; 2008).

The fifth principle is the “Pilot-in-the-plane principle” which encourages entrepreneurs to control activities within their reach rather than trying to predict the future. By concentrating on the activities within control it is probable to reach desired outcomes. By creating constantly desired outcomes the entrepreneur is eventually “creating the future” through his/her actions. The core idea of the effectual approach or effectual worldview is that future is neither found nor predicted but made through following the principles of effectuation. Not everything can be shaped, but effectuation encourages entrepreneurs to as a “pilot of the new venture” to focus on aspects that are, to a certain degree, within their control. (Sarasvathy 2001; 2008).

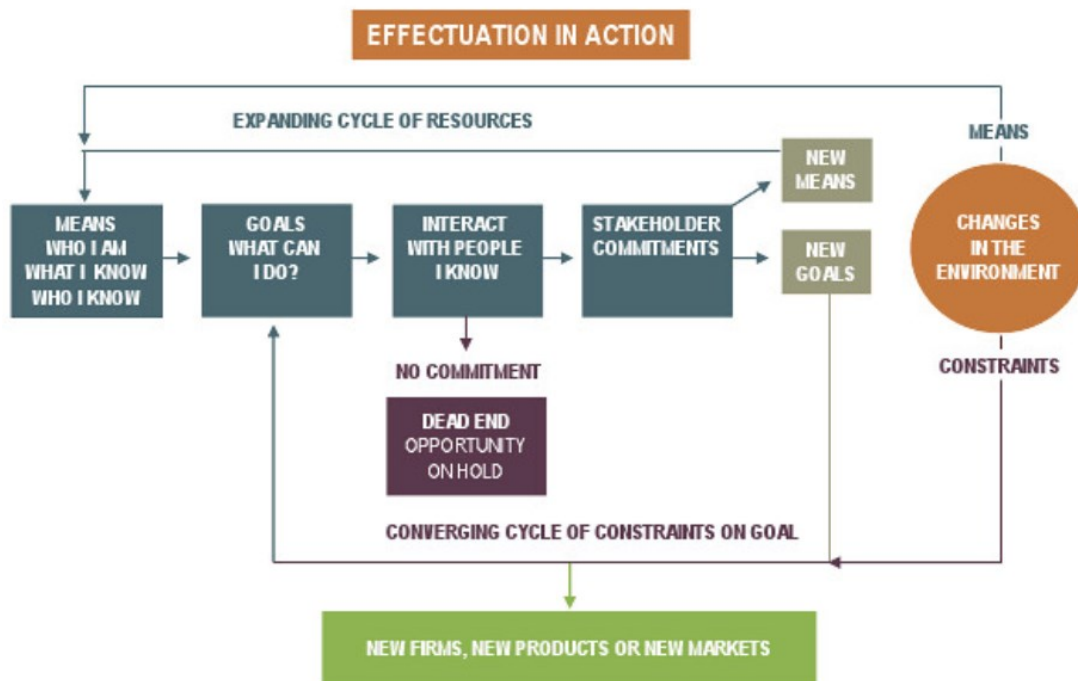


Figure 5. Effectuation in Action (Society for Effectual Action)

2.3.3 Causal vs. effectual reasoning

Causation and effectuation are both rational approaches to decision making, and they do not contradict each other, but rather complement. Regardless of complementing

each other, the two approaches have different points of view as to the five essential aspects on which the decisions are based.

Effectuation bases on non-predictive control while causation aims for predictive control. Effectuation theory argues that expert entrepreneurs tend to use the logic of non-predictive control to transfer the means at hand into new results that they may not have initially envisaged (Yates & Tschirhart 2006). Non-predictive control can be defined as abandoning the predictive information in favor of what the decision-maker and stakeholders can control (Wiltbank et al. 2006). The non-predictive logic is in which the decision-maker chooses between the available means based on calculations or estimations about pre-selected goals. The non-predictive approach of effectuation differs significantly from causation in which the prediction of future outcomes plays an important role, and the unexpected outcomes are minimized.

Effectuation concentrates on means-driven action while causation aims at goal-driven action. In effectuation the basic starting point is seen as a given set of means and the effort is allocated to generating new outcomes by effectively using the given means. This can be seen as opposite to causal logic which selects the goal first and after that between given means or acquiring means to reach the selected goal. A good example of the difference is a chef who prepares a meal with a recipe (causal) versus another chef who imagines possible means from ingredients available (effectual). (Sarasvathy 2001; 2008).

Effectuation concentrates on the affordable loss while causation aims at expected returns. In the effectual approach, calculations do not determine the choice of projects, but the choice of projects depends on the decision makers' assessment about how much the firm is willing to lose if things do not work out. In other words, the effectual reasoning is based on the principle of affordable loss. Causation takes a different point of view and highlights the importance of expected returns. The entrepreneur tries to predict the outcome and tries to reach the expected return. (Sarasvathy 2001; 2008).

Effectuation prefers partnerships while causation prefers competitive analysis. Matalamäki (2017) states that when entrepreneurs work with partners who are willing and able to help to shape future outcomes, uncertainty is reduced. The effectual approach highlights the importance of building partnerships and bringing different stakeholders aboard already during the early stages of the new venture regardless of not knowing exactly what the end goals for the venture are going to be. (Sarasvathy, 2001; 2008).

Effectuation prefers leveraging while causation aims at avoiding contingencies. The effectual approach usually means that the entrepreneur is likely to experience various surprises during the venture. In a causal approach, it is important to minimize all the risks which may occur during the venture. (Sarasvathy, 2001; 2008). According to Denrell & March (2001) in the causal approach, it is important to avoid all types of surprises – negative as well as positive. The entrepreneur who is operating by the effectual logic needs to be prepared for whatever problem he/she might encounter during the venture and to learn to turn these problems into new opportunities.

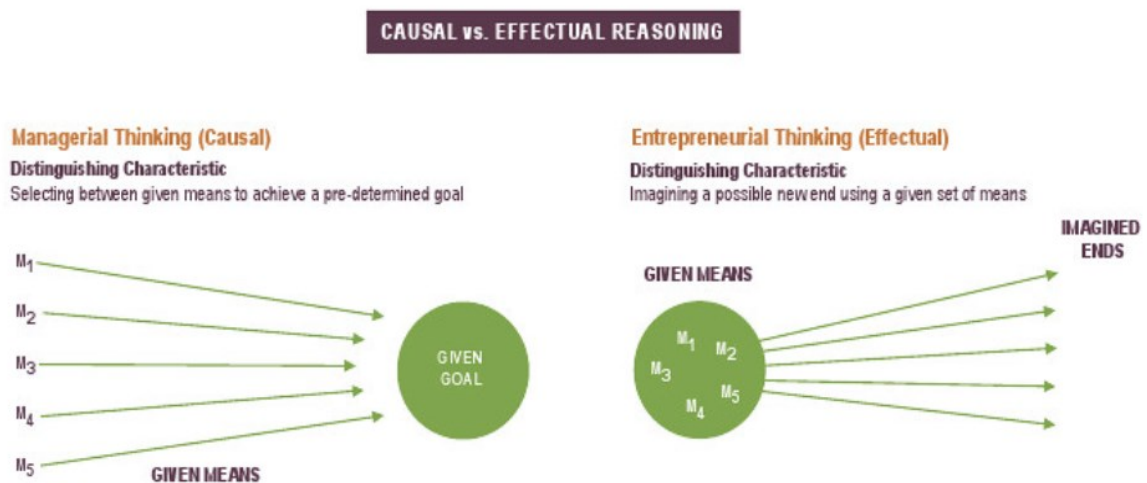


Figure 6. Causal vs. Effectual Reasoning (Society for Effectual Action)

3 Methodology

3.1 Research philosophy and approach

According to Collis & Hussey (2014: 43), “a research philosophy is a framework that guides how research should be conducted based on ideas about reality and the nature of knowledge”. It can also be referred to as “a system of beliefs and assumptions about the development of knowledge” (Saunders et al. 2009: 124). There are five major philosophies in business and management: positivism, critical realism, interpretivism, postmodernism, and pragmatism (Saunders et al. 2009). The interpretivist philosophy is chosen for this thesis since it is in accordance with the author’s beliefs about how the research in social sciences should be conducted and it also provides the best tool for answering the research question. Interpretivism means that there is not only one objective truth but many subjective interpretations of reality. The interpretations are dependent on peoples’ personal views, values, and the context of the research. Eventually, the goal of interpretivism is to create deeper understandings and richer interpretations of social worlds and contexts (Saunders et al. 2009). In this thesis, the author aims at creating a deeper understanding of the decision-making logic within the case firm. Consequently, all the interviewees of this research expressed their interpretation by answering the author’s open questions. The researcher himself/herself affects the studied phenomenon since the only way to conduct the research is by interfering with the research target.

According to Collis & Hussey (2014), there are two main research approaches: deductive and inductive. This study uses the inductive approach. Collis & Hussey (2014:7) state that “inductive research is a study in which theory is developed from the observation of empirical reality; thus, general inferences are induced from particular instances”. Lodico et al. (2010: 10) point out, that “inductive reasoning is often referred to as a “bottom-up” approach to knowing, in which the researcher uses observations to build an abstraction or to describe a picture of the phenomenon that is being studied”. Inductive research involves moving from individual observations to more general pat-

terns or laws (Collis & Hussey 2014). The inductive research approach was chosen for this study since it offers the advantage of not imposing pre-specified conceptual models to the case firm but rather explores how the effectual approach is interplaying with the causal approach in the firm's decision making. The inductive approach allows the author to analyze the data and then propose a model which arises from the study rather than imposing a pre-constructed theory or model on the case firm

3.2 Research strategy and purpose

Quantitative and qualitative approaches are the two main methods of making research. This thesis uses the qualitative method which can be defined as "any kind of research that produces findings not arrived by means of statistical or other means of quantification" (Strauss & Corbin 1990: 17). Qualitative research attempts to understand different phenomena in a "real-world settings and the researcher does not attempt to manipulate the phenomenon of interest" (Patton 2002: 39). Myers (2013: 23) emphasizes that one of the key benefits of the qualitative method is that it allows the researcher to see and, also, to understand the context in which actions and decisions take place. According to Hirsijärvi et al. (2009), qualitative research requires comprehensive data collection that is performed in natural situations. The qualitative method is suitable for this thesis since the theoretical framework is built upon effectuation which, as a theory, is in a development state that allows either qualitative or quantitative methods to be used. According to Matalamäki (2017), the effectuation research has accelerated and undergone a revival which has led to an increase of empirical field studies and a decrease of conceptual articles. The author states that the theory is in the transition stage toward a mature stage and both methods, qualitative and quantitative, are used in current papers (Matalamäki 2017).

The case study method is the most common method in academia for researchers interested in qualitative research (Baškarada 2014). Groenland & Dana (2019: 35) argue that "a case study is a detailed investigation of a social unit, at times one entrepreneur or a firm. The research of a case study is to describe one or more cases in depth and to ad-

dress research questions and issues". According to Yin (2009: 18) "a case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident". The case study strategy was chosen for this study since it is a useful tool for in-depth and diverse explorations of complex issues in their real-life circumstances. Another reason for choosing the case study strategy is that it is a suitable research strategy for keeping the study focused and manageable within the available resources. There is only a limited amount of time for the study and when combined with the chosen strategy the optimal overall value is reached.

Zainal (2007) states that there are two different ways of conducting a case study: single-case or multiple-case design. This study is a single-case study since there is one individual case firm. Zainal also points out that "In cases where there are no other cases available for replication, the researcher can adopt the single-case design" (Zainal 2007: 2). According to Yin (1994), single-case studies can be used, for example, to confirm or challenge a theory, or to show a unique or extreme case (Yin 1994). In this study, the case firm's situation offers a unique and interesting case that allows the study of the decision-making before expansion to foreign markets. Therefore, the case can be regarded as unique within the available resources. According to Tellis (1997), the use of a single-case design requires careful investigation to avoid misrepresentation as well as to maximize the researcher's access to the evidence. The author has collected and analyzed the data in such a manner, that an objective and thorough outcome is reached.

Yin (1984) states that there are three common categories of case studies: exploratory, descriptive, and explanatory. This thesis uses the exploratory case study since the goal of this study is to explore and achieve familiarity with the chosen topic. Explorative research is often linked with the early stages of new research topics, and it fits this study since there is no prior research about the decision-making logic in the context of pre-internationalization. Both topics have been studied on their own, but according to

the author's review of academic literature, the two topics have not been combined yet. This fact supports the selection of an exploratory case study. This study aims at better understanding the phenomenon and creates a foundation for future research.

3.3 Data collection and analysis

Empirical data for this thesis have been collected through six interviews in late April and early May of 2021. This has been done by conducting interviews with the employees of the case firm as well as with the CEO. Interviews were conducted in natural situations during office hours, but the covid-19 pandemic affected the gathering of data. Most people worked from home due to restrictions of face-to-face meetings by the Finnish authorities. Besides interviews, some background variables were collected by e-mail, and they are presented in the table below. Interviews consisted of ten main open questions that were designed to produce answers that give information about the decision-making logic of the case firm. Open questions were preferred since the interviewer wanted to receive as comprehensive answers as possible. At the same time, the questions were tied to the overall framework of pre-internationalization in which the firm operates currently. After each main question, the interviewer asked follow-up questions to receive more detailed information as well as to specify the arguments. Specifying questions varied depending on the interviewee's answers since they represented different functions of the firm and had more to say on the topics which were related to their field of expertise. Each main question had several follow-up questions that were constructed beforehand, and the interviewer used them as a basis to guide the discussion in the desired direction. It was also possible to ask follow-up questions "out of the box" which made every interview unique. Interviews followed the ten main questions and then took unique paths when follow-up questions were asked. The aim was to provide as much space as possible for the interviewees to speak in their own words.

The six interviews form the primary data. Five of the six interviews were conducted via Microsoft Teams and one interview was conducted face-to-face at the office of the

case firm in Vantaa. The interviewer suggested face-to-face interviews as the first option and if it was not possible the interview was conducted by Microsoft Teams. One employee agreed on meeting at the office while most preferred to answer online. The interviewees were selected based on the priorities of the interviewer. The interviewer wanted to interview people from every main operation as well as the CEO. The interviewees should be able to answer the questions about decision-making which means that they hold this information within their field of expertise. All the interviewees accepted the invitation and participated. Questions were translated into Finnish and sent to the HR manager to be checked. The aim of the check was mainly to make sure that the chosen people were able to answer and discuss the topic.

Five interviews were recorded with Microsoft Teams recording function and one was recorded with a mobile phone application. The typical duration of one interview was approximately 40 minutes. The length of all interviews ranged from 23 minutes to 76 minutes. All interviews were conducted in Finnish since it is the native language of all the people participating in the process. The material was later transcribed by writing down the strongest arguments with Microsoft Word. The overall length of the transcriptions was 49 pages (Calibri, size 12, spacing 1,5). During the transcription process, the language changed from Finnish to English since the data were collected in Finnish. Transcriptions were used as raw data which formed the basis for the qualitative analysis.

Position	Gender	Age group	Years in the firm	International working years
Marketing Coordinator	Female	30-40 years	0-1	3 years in Germany
Head of Partnership Success and development	Male	30-40 years	0-1	No
Head of Product Management	Male	30-40 years	Over 5	No
Head of Customer success	Male	30-40 years	Over 5	No
Head of HR and Administration	Female	30-40 years	1-3	No
CEO	Male	40-50 years	3-5	No

Table 2. The background information of interviewees

Acronym	Date of the interview	Duration of the interview	Interview method
Marketing Coordinator	29.4.2021	40 minutes	Microsoft Teams
Head of Partnership Success and Development	30.4.2021	40 minutes	Microsoft Teams
Head of Product Management	3.5.2021	23 minutes	Microsoft Teams
Head of Customer Success	4.5.2021	43 minutes	Face-to-Face
Head of HR and Administration	14.5.2021	34 minutes	Microsoft Teams
CEO	14.5.2021	76 minutes	Microsoft Teams

Table 3. Overview of the interviews

The collected raw data were analyzed by identifying four categories from the answers and analyzing how decisions are being made within every category. The four categories are objective, product, network, and resources. The division is based on the idea of four main themes behind the questions as well as on the idea of presenting the analysis to the reader as clearly as possible. Each answer from the open questions was categorized into one of four categories. This way the raw data were divided into smaller chunks and were analyzed more in detail. Within each category, answers were interpreted to support either causal logic or effectual logic. Causation was recognized from pre-set goals and from words, such as “goal”, “plan”, and “survey”. Effectuation was recognized from not having pre-set goals and from words, such as “improvisation”, “adaptation”, and “reaction”. Another interpretation was made about the interplay of causal and effectual logic. After the interpretation, a conclusion about the decision-making logic was made. The conclusion indicates which logic is more dominant in that category and how the two logics interplay. Conclusions are supported by the most de-

scriptive quotes which give more detailed information about how the interviewees expressed their thoughts.

3.4 Quality of the study

Reliability and validity are tools to measure the quality of the collected data as well as the quality of the whole study. In what follows, these two aspects of the study are explained.

3.4.1 Reliability and validity

Reliability means whether the data collection and analysis techniques produce consistent results. In other words, the results of the analytical procedure can be performed by other researchers for other studies. (Saunders et al. 2009; 2012). Reliability can be described as the degree to which reliable conclusions can come from the data collection method or analytical procedures. It is the degree to which results are consistent with the analysis. According to Easterby-Smith et al. (2008), reliability can be tested through three questions:

1. "Will the results yield the same results on other occasions?"
2. Will similar observations be reached by other observers?"
3. Is there transparency in how sense was made from the raw data?"

According to Robson (2002: 176), there are four types of reliability threats. The first one appears when the interviewee does not answer the question or keeps neutrality. The second threat appears when the interviewee is told beforehand how to answer. The third threat appears when the interviewer has formulated the questions poorly or incorrectly, and the fourth threat is associated with the incorrect interpretation of the answers by the interviewer

According to Sanders et al. (2009) validity refers to whether the findings are really what they appear to be. Yin (2009) mentions three different approaches to validity: Construct validity, internal validity, and external validity. Construct validity means whether corrective measures have been established to the investigated concepts. Internal validity focuses on whether relationships among concepts are real or spurious. The internal validity can also be defined as whether the researcher's observations are aligned with the theoretical output they create (LeCompte & Goetz 1982). External validity determines an area where research findings are valid. In other words, the degree to which the findings can be generalized (LeCompte & Goetz 1982).

3.4.2 Guba's four criteria

Regardless of the fact, that reliability and validity are adopted to measure the overall quality of the collected data, there is criticism concerning their usage as tools to measure qualitative data (Saunders et al. 2016: 204-205). This leads to a situation in which some parallel criteria can be used to measure the qualitative data. Sheton (2004) points out the original ideas of Guba (1981) and suggests that four criteria can be used to evaluate and measure qualitative data: *credibility, transferability, dependability, and confirmability*.

Credibility refers to whether the study measures what it was originally intended. In other words, does the study follow what it was supposed to follow or not. In this study, a coherent process was conducted and followed. Interview questions were created based on the theoretical framework and the suitable case firm was selected. The interview questions were planned in detail to measure the decision making logic and the analysis of the data was made objectively using the theory. Every step has been described in detail and justified to make the study as logical as possible. However, there is always a possibility for humane errors and misunderstandings concerning the process since every person involved in the process will have a unique perception and interpretation of questions and conversations. However, a significant amount of time and re-

sources were used to prepare the questions and interviews to be as accurate as possible.

Transferability refers to the scaling of the results which means that regardless of one case firm the results could be generalized to other similar firms in similar situations. Shenton (2004) points out that “since the findings of a qualitative project are specific to a small number of particular environments and individuals, it is impossible to demonstrate that the findings and conclusions apply to other situations and populations”. Therefore, it is difficult to say whether the results of this study can be applied to a wider population. However, it is possible to apply the results to similar Finnish ICT SMEs and the results could reflect their situation up to some degree. It is still unlikely that the results would be similar. The results of the study as such measure the case firm and are, therefore, unique.

Dependability refers to the repetition of the study. According to Shenton (2004) “if the work were repeated, in the same context, with the same methods, and with the same participants, similar results would be obtained”. It is possible to repeat the study by following the identical steps the author has taken during this study. If the study is repeated in an identical situation the results would be in line with the results of this study. However, due to the cross-sectional time horizon of the study, an identical repetition is impossible. The case firm is developing and will never be in an identical situation as it was in spring 2021.

The last criterion is *confirmability* which refers to the qualitative researcher’s objectivity. According to Shenton (2004) “steps must be taken to help ensure as far as possible that the work’s findings are the result of the experiences and ideas of the informants, rather than the characteristics and preferences of the researcher”. In this thesis, the collected data has been analyzed according to the theoretical framework and the conclusion follows the same pattern. The author has used several direct quotes from the

interviewees to ensure that the ideas and findings arising from the data collected from the interviewees.

3.5 Ethics of the study

Ethical concerns are an inevitable part of the study. Ethics in the research context can be defined as “the appropriateness of your behavior in relation to the rights of those who become the subject of your work or are affected by it” (Saunders et al. 2007: 178). According to Blumberg et al. (2005: 92), ethics is defined as “moral principles, norms or standards of behavior that guide moral choices about our behavior and our relationships with others”. Therefore, the author is responsible for conducting the study in such a manner that the rights and anonymity of the people involved are respected throughout the research process. The author is responsible for reporting the results and findings truthfully and precisely. The whole study is conducted so that readers are not misled at any point. Furthermore, the author describes extensively the strengths and weaknesses of methods as well as the findings and models which have been used in the study (Ghauri & Grønhaug 2005; Saunders et al. 2007). Research ethics is summarized by Saunders et al. (2007: 178): “the way you design your research is both methodologically sound and morally defensible to all those who are involved”.

The ethical guidelines were followed throughout the research process. The author made sure that the interviewees from the case firm were informed about all the details regarding the interviews including interview questions. There was a possibility not to participate in the study if they feel uncomfortable at any stage of the process. Before conducting the interviews all the interviewees were informed about the purpose of the interview and how the data would be processed. The author sent the interview questions to the case firm in advance to make sure there would be no surprises afterward and that all the people involved in the study were fully informed at all stages. Special attention was paid to information security. All the information received from the interviews was kept under the control of the author himself. The data were used only for the study, and they were not given or shown to third parties. Full information security

is difficult to obtain, and it needs to be mentioned that it is possible that people from the case firm recognize participants from their answers after reading the study. However, all the necessary means were taken to provide as high anonymity to the interviewees as possible.

The author has conducted the study according to the means described in the methodology section. All the parts of the study have been described in detail and the readers have been made aware of all the details concerning the study. Findings and results are reported according to the ethical guidelines stated earlier in this chapter.

4 Findings and discussion

This section presents the findings of the study and propositions derived from the findings. There are four different categories of decisions that have been identified in the interviews: target markets, product and competitors, networks, and resources. The text below is organized around these categories and provides the most illustrative quotes from the interviews to prove the evidence. At the end of each category, there is a proposition which states the dominant logic behind decisions of that category.

4.1 Target markets

There are several decisions that the case firm has made concerning what it wants to achieve on international markets. The decisions are adding internationalization to the company strategy, operations in ten different countries by 2025, the revenue of 20 million euros, and conducting international market research. Firstly, the CEO mentions that the idea of expanding the firm's operations outside Finland was accepted by the board of directors and the whole personnel was made aware of it. According to the CEO, it acted as the starting point of the process and enabled the start of planning international operations.

“The most important point was to write down the will to internationalize and to communicate it with the personnel and with the board of directors, so that was the important first step”- CEO

“Internationalization has been written down as a part of our strategy.” - Head of HR and Administration

“Strategic goal on a general level is that we would be in ten different countries by 2025.” - Head of Partnership Success and Development

The decision follows causal logic since the goal is clear. At this point, the firm is aiming to expand its operations to foreign markets, but there are no clear steps about how to enter ten different countries. The case firm does not have international experience yet, and foreign markets are unfamiliar for it. The firm does not know yet how to accom-

plish the goal. The decision follows Sarasvathy's (2001; 2008) description of causal reasoning since it aims at predictive control and is goal oriented. Literature suggests that effectuation is often used under uncertain circumstances, since "effectuation is at its best in an unpredictable environment" (Matalamäki 2017: 929). However, the firm is using causation for setting international strategic goals. Matalamäki (2017: 929) states that causation would fit better for familiar domestic market since "causation is relevant in an easily predictable operating environment". Dew et al. (2009) point out that expert entrepreneurs who identify potential markets tend to frame their decisions using effectual logic while novices use predictive logic and tend to go "by the textbook".

Another decision was made concerning the number of countries in which the case firm wants to have operations in the future as well as the number of partnerships within those countries. Interviewees point out that the case firm aims to have operations in ten different countries by 2025. The goal is to create at least ten good partnerships within each target country. However, it is not completely clear what countries will be the target countries. The countries will be chosen after the case firm conducts international market research.

"Our goal is to have operations in ten different countries." - Head of HR and Administration

"We want to begin with ten good partnerships within each country. The number might sound small, but Germany, for example, is a big country. If we get ten big partners there, they are very big customers compared to our existing ones. This is the pre-set goal we are aiming at." - CEO

This decision follows causation logic. The CEO talks about "pre-set goal" of ten target countries and ten partnerships within each country. The decision aims at a given goal which is clearly specified. It follows Sarasvathy's (2001; 2008) description of causal logic since the goal has been set in advance. It is unclear which are the most suitable countries or partners or the appropriate means to reach the goal by 2025. According to Sarasvathy & Dew (2005), effectuation logic flourishes in unstable environments which are difficult to predict since it allows quick reactions to changes in the operating environ-

ment. Contrary to that, the case firm follows causation logic to set goal in international markets.

The case firm represents a strong will to grow its revenue. The aim is to raise the revenue up to 20 million euros. The CEO mentions that he is unsure whether that goal is big or small. It is a pre-set goal, and, according to some interviewees, cannot be obtained from the domestic market alone. To reach the goal, the case firm needs to generate revenue outside Finland. The firm has currently two products: one software in domestic market and new software which is being built for foreign markets. The firm had not yet specified how big a percentage of the future revenue is expected from the new product.

“We have made a decision about the size of the firm, but we haven’t specified yet from which market we will get the growth. We might reach the goal growing only domestically, but most likely we need growth from overseas” - Head of Customer Success

“What comes to revenue, we have set a goal of 20 million euros. We have not specified how much of it comes from domestic market and how much comes from foreign markets.” – CEO

“If there is a revenue related goal, it hasn’t been analyzed how much of it is expected from the new product and how much from the old product.” - Marketing Coordinator

The decisions concerning revenue growth follows causation logic. It is a pre-set goal, and the firm is targeting a return. This decision is based on financial forecasting. These are typical elements of causation logic (Smolka et al. 2016). Steps towards it are unclear but the CEO mentions that it is still the goal, and the firm is trying to achieve it. It is unknown, how much the new product will generate revenue, and how much comes from the old product. Mayer-Haug et al. (2013) point out that planning activities as well as the entrepreneurial planning skills affect positively to growth, scale, and sales among SMEs.

Based on the interview data, the case firm lacks international experience on all levels. There is one employee with international experience, but besides that, the firm has been operating in the domestic market only. The CEO points out that the greatest challenge is that they have never taken a domestic firm to international markets. Limited knowledge and experience are common challenges at the pre-internationalization phase and Tan et al. (2010) have included it as one of the factors in the ERI index. However, it does not seem to cause decision maker's unwillingness to respond to export stimuli – quite the opposite. The case firm actively seeks knowledge and solutions. The goal is to create a systematic path which the firm can walk step by step.

“By far the greatest challenge is that we have not made this ever before. If one does not have the experience, what is the alternative? It is imagination. However, proceeding relying only on imagination is dangerous. According to the literature and the research, I have read, successful firms rely on empirical evidence rather than are visionary. They are systematic, disciplined, and empirical.” - CEO

A decision has been made about conducting international market research to identify the steps to successful international expansion. The CEO points out that the international market research would clarify several aspects of the upcoming internationalization. A consultant agency is expected to help to monitor target countries and to guide the inexperienced firm abroad. However, it remains somewhat unclear which countries will be included in the market research. The five big target countries are mentioned frequently: Germany, France, England, Italy, and Spain. These countries are seen as big markets with big opportunities and are most probably examined. The market research might include other countries as well. With the help of the results of the international market research, the case firm wants to make successful entries to target countries. Specific goals within the target markets will be set after the market research is ready.

“We have evaluated target countries and the next step is to conduct market research about the countries we have searched.” - Head of Partnership Success and Development

“We have started negotiations about the international market research. It is important that we make thorough research and define our key paths which we start to walk during the internationalization phase.” – CEO

“We haven’t made market specified goals, but they are probably made after the consultant agency has finished the first market research. After that, we are more aware of the goals which we are aiming at within those markets.” - Head of Partnership Success and Development

“We have planned a schedule so, that the international research would be conducted in the autumn and the first steps would be taken next year. Before that, we want some proof of concept from the domestic market.” – CEO

The decision about the international market research follows causation since market analyses and predictive planning are typical for it. Causation reflects such ideas as systematic analysis and integrative planning (Matalamäki 2017). Conducting international market research aims at systematic approach for reaching goals and, therefore, follows causation. According to Delmar & Shane (2003), planning acts as an important precursor to action among new ventures. It helps entrepreneurs to in decision making and allows them to take steps towards achieving their goals. The research will help the case firm to take the next step. This CEO states that this is the main reason for conducting the research.

It seems that there has not been a decision concerning the target markets within the case firm. It depends also on the results of the international market research. Some countries will be examined more in detail, but still, interviewees have different views about where to expand. On one hand, some employees see that the expansion starts from the countries which are geographically and culturally close, such as the Scandinavian countries and Estonia. On the other hand, the new product can be sold anywhere in the world through the internet. If the case firm starts internationalization from the neighboring countries and continues proceeding stage by stage towards geographically and culturally more distant target markets, it would follow the Uppsala model from Johanson & Vahlne (1977). If the case firm starts to sell online to multiple countries, it is more likely to follow the INV model by Oviatt and McDougall (1994). If the expansion

of the new product is very intense, it might even be considered as a born global (Knight & Cavusgil 1996).

“We will start from the Nordic countries - excluding Iceland. After that, we will head to Central Europe. Estonia has also been mentioned in the conversations.” – Marketing Coordinator

“We will start so, that our first target areas are regionally selected European countries. [...] Big countries in the first international market survey are Spain, France, Italy, England, and Germany.” – CEO

“To start with, the product is scalable. Target markets will be then selected depending on the customer base, and contacts.” – Head of Product Management

“At the moment the target market is Finland. In the future, when we have the language versions, the target area is the whole world. Any kind of software which is sold through the internet can be anywhere in the world. I don't think there are boundaries anymore.” – Head of Customer Success

Decisions concerning target markets follow causation logic. They gravitate around the main idea of causation which is “the use of planning to for achieving predetermined goals (Smolka et al. 2016: 575). After conducting the international market research, the case firm might have a plan which include a list of target markets and entry modes. The lack of experience within the case firm and uncertainty of the international markets makes it difficult to determine the exact steps to follow at this since there is much uncertainty related to internationalization. This kind of uncertainty is typical for the pre-internationalization phase (Tan et al. 2010). However, according to Sarasvathy (2001), effectual logic tends to be dominant in uncertain conditions. Under these conditions, firms tend to rely on focusing on the controllable aspects. Unlike Sarasvathy (2001) suggests, the case firm uses causation to set goals in international markets.

The discussion above allows for offering the first proposition:

P1: SMEs at the pre-internationalization phase are likely to follow causation logic when making decisions about their target markets.

4.2 Product and competitors

The case firm has made decisions concerning the product and the competitors. The decisions are creating a new product for international markets, changing the coding language from Finnish to English, modifiability of the product, and a platform-type of approach to product development. The case firm is creating a new software product. During the interviews in April and May 2021, it had not been launched yet. However, the webpage was almost ready. Decisions have been made concerning the product as well as the competitors. The key decision concerning the new product is that it has been created for the international markets from the beginning while the old product continues to sell in the domestic market and lacks the international ability as such.

“We have tried to create the product as flexible as possible so that it fits any kind of market.” – Head of Partnership Success and Development

“We decided to create a new product on a such Microsoft platform which enables internationalization and operations anywhere in the world.” – Head of Product development

“In my opinion, it has been clear since the beginning that we don’t make the product only for the domestic market. We already have a good product for that, but it doesn’t scale up in the same way.” – Head of Customer Success

The decision about the international new product can be interpreted to follow either causal or effectual logic. On the one hand, the goal is to create a product that can be sold outside Finland and will ultimately generate revenue to reach the financial goals which were stated earlier: operations in 10 different countries and reaching the revenue of 20 million euros. From this perspective, the decision follows causation. On the other hand, creating an innovative new product is a risky venture which is based on the case firm’s know-how and ability to offer something new to the markets. From this perspective, the decision is effectual. According to Coviello & Joseph (2012), effectuation explains successful new product development. This is aligned with the decision concerning the new product and, therefore, the decision follows effectuation. The decision is tied to the central idea of effectuation which is “the use of control strategies

such as exercising flexibility and experimentation to create new products and markets” (Smolka et al. 2016: 573).

There are also other decisions that are connected to the development of an international product. Another important decision is that the coding language has been switched from Finnish to English. This decision is closely connected to the development of the new product as well as a preparation for the upcoming internationalization. When the coding language is English, the case firm can employ foreign employees. An easy decision would have been to continue coding in Finnish since all the employees speak it as their first language. However, continuing coding in Finnish would have made the whole internationalization more difficult.

“The language of product development was switched to English which creates new opportunities, such as international partnership creation and expanding operations abroad.” – Head of Product Development

“In the old software the coding language was Finnish, and in the new software, it’s English. Now when the language of product development is English, employees can also come from anywhere.” – Head of Customer success

This decision follows effectual logic. On the one hand, it is a step that enables the development of an international product. On the other hand, it is a decision that will help the case firm to aim at international markets with a potential new product. However, the final goal remains unknown since changing the coding language to English is not a final goal on its own. Still, it increases the new product’s possibility of international success. There is practically little risk involved in this decision, but it requires some extra effort before all the employees are used to it. According to Sarasvathy (2001; 2008) effectual entrepreneurs focus on their affordable loss which can be defined as the amount of available resources they are ready to lose in the start-up process. This way they limit their downside risk. The decision has practically no risk which could be interpreted as affordable loss, but it requires resources for opening new possibilities for the product development.

The new product can be modified for most firms. However, the product is designed especially for the needs of SMEs. The software has been developed in a way that it adapts to different operational environments anywhere in the world. The idea is that it is easy for customers to implement the new software, and they can modify it according to their specific needs. Customers can use either all the features or just the features which are useful for them. They will pay only for the features that they use. The product is also developed in co-operation with the customers. Coviello & Joseph (2012) point out that successful innovators are likely to engage with customers. For this purpose, special attention has been given to the development of effective feedback channels between the customers and the case firm.

“User-friendliness is the main argument and besides that, a subscription-type model of operations which doesn’t require consultant help with implementation nor the usage of our product.” – Marketing Coordinator

“The development of the software needs to be done according to the needs of the markets. [...] I still don’t believe that modifications are done according to the opinion of a single client, but rather so, that we ask a thousand customers whether this is good.” – Head of Customer success

“The product itself adapts. The customer can modify it according to his/her needs. It adapts to the use of different customers in different countries based on how the customers modify it.” – CEO

The decision concerning the modifiability of the product as well as the active role of customers in developing the product through active interaction with the case firm is effectual. The case firm is prepared to continuously improve the product. Murtomäki (2017) points out that one significant aspect of effectuation is continuous learning, especially when the operating environment require firms to change and learn new ways of operating to respond changing situations. The decisions are connected to the idea of continuous learning and responding to changing situations. It is impossible to know what the customer needs are after five or ten years. Still, the case firm is prepared for learning and adapting itself and the product. The “markets” will eventually

determine the final form of the product. This way of operating follows the effectual logic described by Sarasvathy (2001; 2008).

The firm and its new product will face competition abroad. There are three categories of competitors: old habits, Office products, and other similar software. The biggest competitor is old habits business owners and entrepreneurs have. Old habits mean that businesses tend to keep operating the same way they have always done and avoid new ways of managing their financial administration. Many entrepreneurs, for example, are pursuing a passion through their work and might not be interested in numbers nor concentrating on profitability. SMEs often have the idea that everything involving numbers is done by the accountancy firm rather than themselves. Another group of competitors is Office-based products - such as Microsoft Excel. The third group consists of similar business analytics software – both local and international.

“Excel is our biggest competitor. It’s the most popular tool for budgeting, for sure. As a matter of fact, it’s not the most common. The most popular way of budgeting is not to budget at all.” – CEO

“So, the first one is the old habits and the ability to change. The second one is the Office-products. The third one is the accounting software’s reporting, such as Pro-countor.” – CEO

“Excel is the common answer for budgeting. For us, it’s a competitor as well as a source of integration since we are going to integrate to these systems.” – Head of Product Management

The case firm’s answer to competition is to introduce a new product which is platform software. The new product is based on the firm’s vision which differentiates it from other players in the business analytics sector. The vision is based around the platform and communality. According to the CEO, the new software is a product of improvisation. It has been created with the know-how and earlier experience of the firm to be an analytic tool for managing SMEs as well as a platform for services. It connects customers and service providers within the product platform and can be modified according to specific needs. The innovation of the new product is to offer a platform instead of just

software for managing finances. Customers can receive services and connect with other users within the platform. This is new to the markets.

“The fact that we have improvised the platform will improve our opportunities in the international markets. It [the product] has been built piece by piece. It is a result of improvisation.” – CEO

“Our new product is such an extensive package that I haven’t met any comparable package even in the international markets. It is versatile and has innovations. Also, the price is reasonable, one doesn’t have to use all the features.” - Head of Partnership Success and Development

“There is a service level in the product. If the customer knows how to budget on a basic level but doesn’t know how to budget effectively, there are service providers for that. It means that there are service providers on the platform within the product.” - Head of Customer Success

The core idea of the new product follows effectuation. Berends et al. (2014) state that in product innovation processes early effectuation logic moves towards causation logic over time. This is aligned with the effectual decision making concerning the new product development. The case firm is following effectuation while it is creating a new product. Furthermore, Brettel et al. (2012) point out that effectuation is positively linked to process output as well as to efficiency in highly innovative research and development projects. This finding also supports the use of effectual decisions at this point. The new product is highly innovative and offers something new to the markets.

The decisions concerning the product and competitors rely more on effectual than causal logic. Creating a new product for international markets can be interpreted to follow either causal or effectual logic, but in the wider picture of product development, it supports effectual logic. Changing the coding language from Finnish to English, modifiability of the product, and a platform-type of approach to product development are all effectual decisions. Sitoh et al. (2014) and Van de Vrande et al. (2009) point out that effectuation and causation can coexist and are configured differently during the process of new product creation. One or the other is used in different phases of the product creation, but they are also used complementarily. Contrary to that, the case firm

uses mostly effectuation as its decision-making logic concerning product and competitors. Many characteristics of Sarasvathy's (2001; 2008) effectuation can be observed in the decision in this category.

The discussion above allows for offering the second proposition:

P2: SMEs at the pre-internationalization phase are likely to follow effectuation logic when making decisions about their product and competitors.

4.3 Networks

The case firm has made decisions about networks: making networking more systematic and creating a networking database. The case firm needs partners and networks in its internationalization, as well as its domestic business activities. One option is to internationalize through the existing networks. In that case, the firm would follow the network theory by Johanson & Mattson (1988). The case firm has existing networks which should be taken more advantage of. However, there is no decision about it at this point. On the other hand, there is an idea of acquiring foothold partners in target countries. It seems that, so far, there is so much unawareness concerning internationalization that it is too early to make strict goals concerning networking. Interviewees have different views about it.

"I strongly believe that it's good to have a solid network foundation. Not only in internationalization but in all business activities." – Head of HR and Administration

"We have already now such partners in Finland who are operating abroad. It's possible to internationalize with them on a small scale." – Head of Product Management

"In my opinion, we should clearly find a strong foothold partner in the target market, for example, a software partner or an accountancy partner. [...] The internationalization becomes a lot easier than if we try to do it on our own." – CEO

Interviewees see networking as an integral part of the firm's internationalization as well as the business in general. Dew et al. (2009) point out that entrepreneurial experts who use effectual logic in their decisions, also value networks of partnerships. The case firm understands the importance of networks in its international expansion. The role of networks is not yet clear nor there are many decisions about them. However, it is likely that the existing network partners improve the chances of successful internationalization. According to Evers & O'Gorman (2011), improvisation, effectuation, and network bricolage can explain internationalization in some new ventures.

The case firm has hired a networking specialist who will concentrate on finding, evaluating and creating successful partnerships. Up to this point, the partnership creation has not been systematic, and partnerships have been created based on various criteria. According to the interviews, the case firm has created partnerships and entered networks based on the emerging needs of the firm. If a suitable partnership has been available, the firm has reacted to it. A good example of the case firm's ability to react is when the CEO heard about the firm which product fits the existing offering of the case firm. He booked a meeting within a week and very quickly after the meeting he decided to buy a part of the firm. The firm reacts fast when opportunities emerge.

"We have to be quick and recognize the situation as well as the market quickly. We need to react if a potential partnership becomes available - even if it is not in our PowerPoint plan. One cannot be a steam train that keeps going on a railroad track. – Head of Partnership Success and development

"I have a strong view that plans are done at a certain level, but we are still pretty flexible in different situations. This illustrates strongly how we are operating at this moment."– Marketing Coordinator

"Networking has earlier been probably more result of reacting. When I started working at the beginning of this year, the idea was that networking will be done more systematically." - Head of Partnership Success and development

It seems that the case firm's way of networking is based on reacting to situations when they arise. There are some criteria for choosing the partners, but it might not be writ-

ten down and agreed on. This way of operating seems to follow effectuation logic since it is means-driven action which draws from resources at disposal, such as networks and social contacts (Sarasvathy 2001; Sarasvathy & Venkataraman 2001). According to Sarasvathy (2001), the effectual logic is actor-dependent and depends on entrepreneur's ability to react when the possibility emerges. The example in which the CEO reacted when he saw the opportunity, is a good example of how effectuation works. He used abilities to "discover and use contingencies" (Sarasvathy 2001: 251).

There is a will to create a more systematic way for acquiring partners and entering important networks. The case firm wants to reach a situation in which partners are recognized and evaluated proactively through certain criteria, which is aligned with the firm's strategy. According to the interviews, there is a will "to do networking more systematically". This aim is aligned with the findings of Berends et al. (2014) about product development. They point out that early effectuation logic moves towards causation logic over time. The case firm is trying to shift towards causation with its networking.

The case firm has created a database that contains information about different operators on the market. The database collects information about partners and potential customers. It helps the case firm to create more systematic approach to networking and identifies interesting partners proactively. The decision about the database seems to be aligned with the aim of shifting from the effectual logic of networking towards causation.

"We have built a database in which we have collected very much information about the markets. The information grows and it's networking data for us." – CEO

"Networking has been simulated already on the database level." - CEO

Regardless of the fact, that the decision aims to create a causal approach for networking, it follows the effectual logic. A networking database is a tool that has been created to improve networking and to identify potential partners. Smolka et al. (2016: 577) state that "effectual entrepreneurs seek to create win-win situations in which intrinsi-

cally motivated outsiders voluntarily commit their resources to jointly build a successful firm". With the help of adding more operators to the database, the case firm not only seeks customers, but different stakeholders with whom it can build successful partnerships. It might also give other useful information about the markets in which the case firm operates currently and about foreign markets in which it will operate in the future. From this perspective, it seems that the database works as a tool for building networks rather than a goal on its own.

The case firm sees networking as an important part of their internationalization which indicates more effective entry to foreign markets. According to Andersson (2011), born globals can enter foreign markets in a short time by co-operating with local network partners. The entrepreneurs' knowledge and already existing networks are important in rapid international expansion. The case firm can also benefit from their existing networks. Decisions about networking follow effectuation logic. While the firm aims to create more systematic approach to networking, it experiments and seeks committed partners for future co-operation. Smolka et al. (2016: 576) state that "effectual entrepreneurs experiment with their means to select business opportunities that limit potential losses to an affordable level and attract committed partners". The database and the more efficient recognition of potential partners aim at creating profitable partnerships for foreign markets. Overall, effectuation logic is dominant in this category.

The discussion above allows for offering the third proposition:

P3: SMEs at the pre-internationalization phase are likely to follow effectuation logic when making decisions about their networks.

4.4 Resources

This section consists of HR and financial resources. The case firm has made several decisions concerning the resources. According to the interview data, the decisions concerning HR are improving employer branding, preparing HR for internationalization, and new recruitments. There are also decisions about the financial resources, such as

budgeting according to the worst-case scenario, surviving without external finance, and being in contact with the investors.

The case firm wants to attract domestic as well as international workforce in the future. Operating in different countries requires skills that might not be found in the domestic labor market only. More international candidates are likely to take part in the recruitment process. The case firm needs to ensure that the process works in an international environment. The firm does not have yet any foreign employees. International candidates have taken part in the recruiting process but have not been selected yet. However, the CEO points out that it is only a matter of time when the first international employee starts working in the firm.

“Employer branding is in progress so, that the recruitment page makes an impact on international professionals.” – Marketing Coordinator

“We are acquiring the “Great place to work” – certificate. The fact that we have a certificate, makes it easier to acquire employees in international markets.” – Head of Customer Success

The decision about employer branding follows causal logic since it is aiming at a pre-set goal. The firm wants to receive a “Great place to work” – certificate to strengthen the employer brand and to attract more potential candidates. The necessary actions will be taken to reach the goal. Smolka et al. (2016) state that strict goal orientation and avoiding surprises are typical for causation. The decision has both elements in it. The outcome can be easily evaluated afterwards.

The case firm has employed two people with international experience. Both of which are specialized in marketing. The CEO points out that the role of marketing will get stronger in the future and new recruitments are possible soon. If the international expansion is successful, there is a need for employing different specialists from sales to customer support. However, at this point the need for improving marketing is evident.

The firm acquired language skills, international marketing experience as well as experience with product launches.

“The firm has employed new people with international experiences, such as experience about product launch, and language skills.” – Marketing Coordinator

“We have strengthened marketing on a general level. We have hired two more marketing people.” – CEO

The decision concerning recent recruitments prepares the case firm for the upcoming internationalization. The decision follows effectual logic since it is connected to the available financial resources and based on how much the firm is willing and able to invest in personnel at this point. The case firm balances its resources constantly with evolving goals and changing operational environment. The CEO states that new recruitments can possibly be done in near future to support international sales. It depends, among other factors, on the financial resources of the firm. Matalamäki (2017) states that SMEs tend to have less resources than large firms and, therefore, lack organizational and marketing capabilities. However, they enjoy greater flexibility than large companies. This can be observed from the case firm’s situation. The firm strengthens its marketing while balancing its recruitments constantly with the available resources which is in accordance with the literature.

HR is preparing for the upcoming internationalization on all levels. The case firm aims to develop a strong basis for its HR processes so that it can meet the challenge. Expansion to international markets means that the firm will grow, and the HR needs to scale up. The firm is aware of that. The growth can also happen in the domestic market, but the main objective is overseas. Despite highlighting the need for new employees, the case firm does not invest in personnel forward-heavily. It means that they recruit according to the market demand. This way the firm allocates its resources more efficiently and makes sure that the new employees will have a spot to fill. The case firm does not want to “load” the organization with people in advance since the resources might run into the sand. However, when the need emerges, HR needs to react quickly.

“It’s important to make some sort of outline and a plan about internationalization. What it is, and what kind of know-how it requires.” – Head of HR and Administration

“The challenge is that the HR is one person at this moment, and how are we able to scale it up if our operations expand? [...] It is important to understand the HR supports the development of our business.” – Head of HR and Administration

“We need to be very quick to react to the so-called, emerging need of HR. One needs to have a vision, but one can’t push front-loaded resource allocation there. Finding the right balance is a difficult task.” – CEO

This decision follows the effectual logic since the case firm prepares to react when opportunities arise. The firm has resources for reacting to the “emerging need of HR” when there is a need for employing more people. Smolka et al. (2016) state that limiting possible losses to an affordable level and letting plans evolve along the way are typical for effectuation. The case firm is reducing risk by not employing people beforehand. They react to the changing needs of the HR and employ people when there is need within the organization.

Another decision concerning the HR is to update the job descriptions to include relevant international competence. According to the HR manager, there is a need for updates to prepare HR for internationalization. The decision is proactive and supports the growth. If the expansion is successful, and the new product sells well, the case firm will have to recruit more employees quickly. The CEO points out, that the updated descriptions will determine what kind of employees will be recruited for certain positions in the future. Regardless of the fact, that it is not yet clear what does international competence mean in terms of skills, the work is already in progress.

“It’s difficult to define what the exact international know-how would be. We will find it out when we define the exact competence needs and task-specific profiles.” – Head of HR and Administration

“Our Head of HR and Administration aims to recognize the international competence we need. We need to be aware of that so that it doesn’t come as a surprise after one year.” – CEO

“We need to evaluate the internationalization of the HR from the competence perspective, and from the recruitment perspective. We also need to evaluate the contractual aspect.” – Head of HR and Administration

Regardless of the uncertainty concerning the upcoming international expansion, there is still a strong trust among the decision-makers that the firm can react to changes and find solutions quickly. The HR manager pointed out that she relies on “our way” when deciding about necessary actions when problems appear. It means the ability to create networks, acquire resources, and the possibility to invest when there is a need for action. She points out that the world keeps changing at such a fast pace that relying purely on pre-defined plans can be a risk on its own.

“We will react when we are in the situation, and we will find the operators and the way of doing things at that point. I trust in our way of doing things. It means the ability to network, the ability to acquire talent, and the possibility to invest when we need to.” – Head of HR and Administration

The case firm invests heavily in the new product. One can argue that the case firm invests heavily in internationalization since the product has been designed for foreign markets. Regardless of the fact, that majority of the financial resources have been budgeted for internationalization, the revenue has been built upon the idea that internationalization fails. In other words, the revenue relies on domestic sales from Finland. The worst-case scenario is unlikely to happen, but the firm has made sure that it survives. It can continue operations even if it does not receive any revenue from overseas in the beginning.

“We haven’t dared to see internationalization as an income stream, but rather so, that it’s a plus if we earn something from there.” – Head of HR and Administration

“Our predictions about the success of the firm are based on the idea that all the costs related to internationalization will happen, but we make zero profit overseas.” – CEO

“We predict the worst possible outcome and make sure that we can still financially survive. It’s the riskiest assumption, and everything else is a plus.” – CEO

The decision about budgeting is effectual. Kalinic et al. (2014) point out that entrepreneurs in internationalizing SMEs prefer effectual logic, and that their decisions might be based on the affordable loss principle rather maximization of expected returns. The case firm’s behavior seems to be in accordance with the findings of Kalinic et al. (2014). The firm highlights the affordable loss in its budgeting since limits its risk to the extend of what it is ready to lose. Matalamäki (2017) points out that profit maximization is typical for causation. The case firm does not use causal logic with this decision.

The CEO points out that the firm is profitable, and it can internationalize without external financing. The case firm wants to see how far it can reach relying on cash-flow financing. According to the CEO, this is a clear decision, and he wants to see how far the firm can go relying on its own financial resources. The firm makes profit and there will be cash flowing in constantly. Based on the interviews there are private equity investors who are interested in investing in the firm if the possibility emerges.

“We do invest a lot to it [internationalization] and we finance it through cash flow financing, and we have not used any loans to it.” – CEO

“We want first to find out our potential and see whether we can make it with the resources we have.” – CEO

“We have a strong ability to invest, and everything has been arranged so, that we can get the necessary help from several sources.” – CEO

The decision about surviving without external finance has both elements – causal and effectual. On the one hand, there is a clear goal which is to expand to foreign markets without external financing. On the other hand, the case firm is aware of its resources and adjusts its actions according to the resources it possesses. Resources will be

enough for the expansion and can cover costs related to that. In the wider context of the case firm, the decision is linked to effectuation rather than causation. Sarasvathy (2001: 252) points out that “effectuation predetermines how much loss is affordable and focuses on experimenting with as many strategies as possible with the given limited means”. The case firm uses its cash flow financing and other available financial resources as its “given limited means” and adjusts its operations to fit this financial framework.

There are both decisions concerning resources – causal and effectual. Improving employer branding follows causation logic while preparing the HR for internationalization and new recruitments follow effectuation logic. The decisions about the financial resources: budgeting according to the worst-case scenario and surviving without external finance follow effectuation logic. Read et al. (2009) point out that a significant and positive overall relationship exists between the use of effectuation and venture performance. The CEO points out that he believes in scarcity of resources that force the case firm to be more creative. This shows the effectual reasoning behind the decisions concerning resources. The case firm invests heavily in internationalization, and therefore, it is forced to control its resources effectively. Effectuation logic is used for that.

The discussion above allows for offering the last proposition:

P4: SMEs at the pre-internationalization phase are likely to follow effectuation logic when making decisions about their resources.

5 Conclusion

This chapter sums up the findings of the study as well as contributes to the research question. This chapter also provides theoretical implications and managerial implications. Finally, at the end of the chapter, the author will give suggestions for future research.

5.1 Conclusion to the research question

The research question of the study was *“How do causation and effectuation interact in the SME decision making at the pre-internationalization phase?”* The findings show that there is an interplay of causation and effectuation in the case firm’s decisions during the pre-internationalization phase.

Answering to the research question, this study has found out that both decision-making logics are used in the SME decision making during the pre-internationalization phase. This finding is aligned with the empirical studies which have found evidence that causation and effectuation can work simultaneously within one organization (Lingelbach et al. 2015; Reymen et al. 2015; Sitoh et al. 2014). There are decisions that follow causation logic while most of the decisions follow effectuation logic. As stated in the four propositions, decisions concerning target markets follow causation logic while decisions concerning the other three categories: product and competitors, networks, and resources follow effectuation logic.

There is also an interplay between the two logics: there is synergy between them. While causation logic is used to set strategic goals, effectuation is used for reacting to different situations on operational level. The interviewees do not see a conflict between the two logics. Causation and effectuation are used for different purposes. The interviewees highlight the importance of causation logic, plans, and systematic approach to decision making. Strategic goals are set in terms of revenue growth and expanding operations to new target countries. However, the interviewees also point out

that the case firm is flexible to react in different situations, such as investing quickly or employing new people. This is the case firm's "our way" of operating. While the firm proceeds towards its strategic goals, it reacts when an opportunity emerges. This way it takes the advantage of both logics. The two logics complement each other and create synergy. The case firm benefits from combining the two logics rather than using only one.

The findings of this study are aligned with the earlier findings of combining the two logics. According to Dew et al. (2009), Dew et al. (2011), and Sarasvathy (2008), causation logic keeps the venture focused and predicts what is predictable while effectuation allows the venture to respond flexibly to changes in its operating environment. The author points out, that SMEs seem to follow the same pattern at the pre-internationalization phase.

5.2 Theoretical contributions

This study contributes to the internationalization research, especially to the pre-internationalization research which derives from the Uppsala model (Johanson & Vahlne 1977) by connecting individual decision making to the operational level decisions at the pre-internationalization phase. This study recognizes which of the two decision-making logics, causation or effectuation, SMEs are likely to use in decisions concerning different categories of business operations.

This study is also contributing to the effectuation research by studying the interplay of causation and effectuation. The two logics have been studied together, and the research shows that they co-exist. However, the interplay between the two logics in the SME decision making is unexplored at the pre-internationalization phase. This study shows there is synergy between them. While causation logic is used to set strategic goals, effectuation logic is used for reacting to different situations when they emerge.

5.3 Managerial implications

This study can be used as a source of information for managers in organizations that are planning to expand operations overseas. The front end of the study offers a theoretical pack of information about SMEs' internationalization. The back end of the study offers a contemporary case study of a Finnish firm preparing for international expansion with the help of new platform software. Reading through the study helps to understand early steps of SMEs' internationalization journey.

Managers can use this study for learning more about SME decision making, and especially of the two logics - causation and effectuation. The study shows that SMEs use both logics in their decisions when they are preparing for internationalization. According to the propositions stated in the Findings and discussion -chapter, causation is the dominant logic in the target market category while other three categories are dominated by effectuation. However, both logics are present in the decision making. Furthermore, there is a synergy between them. The case firm uses causation to set goals and effectuation for reacting different situations along the way.

The study illustrated the importance of communication in SMEs. Regardless of the fact, that everyone knows each other, there is still different views on what has been agreed on and how things will be done. The author highlights the essential role of communication in all operations of the firm. There is never too much communication within SMEs.

5.4 Limitations of the study

This study has limitations that should be acknowledged when presenting the findings of the study. The author kindly recommends other researchers take these limitations into account while conducting further studies or analyzing similar cases. Concerning the sample size, this study was conducted as a single-case study, and, therefore, the sample size was relatively small. It consisted of only one case firm. However, six interviews were conducted within the case firm covering all the main operations within the

firm. Therefore, a thorough picture of the firm's situation was reached. The development of the model would not have been possible without interviewing people from different operations, and carefully covering the whole firm. The case firm is a Finnish ICT firm and the author suggests that ICT firms in different countries will face similar situations. However, conducting the study within some different industries would likely result in different findings.

The interviews were conducted mostly via Microsoft Teams which affects the quality. The shift from office to remote work was caused by the covid-19 pandemic and the Finnish authorities instructed firms and employers to organize remote working possibilities for their employees. The pandemic can be considered as a force major -factor and resulted in interviews are to be done mostly via Teams. People tend to perform differently while they are interviewed face-to-face, and only one participant was interviewed in the office. The author suggests that even better results would have been obtained if all the interviews had been conducted face-to-face.

The interviews were conducted in April and May 2021. The case firm was preparing for the internationalization and the product launch for its international product. People were interviewed while they were in the middle of the above-mentioned projects. This will give certain answers. However, if the interviews would have been conducted at some other point in time, the answers might have been different. It is impossible to repeat the same research settings.

Lastly, the author's inexperience also affects the quality of the interviews as well as the quality of the empirical analysis. Several things were done for the first time by the author, and during the research process, there have been moments of revelation concerning effective research practices. Experience has been collected throughout the process and, if the study would be repeated, the quality would improve. There would be more accurate information and the data quality would be higher, simply due to the fact, that the author has learned a lot while conducting the study.

5.5 Suggestions for future research

The pre-internationalization phase as a topic requires more research attention, and the author suggests that more research could be conducted on this field of study. Pre-internationalization can be studied from several different perspectives – not only from the decision-making perspective. The case firm of this study was a Finnish ICT firm, but it would be interesting to study the pre-internationalization of large firms instead of focusing on SMEs.

It would be interesting to repeat the study with a case firm that is preparing for internationalization without such an innovative product. Any firm aiming at international markets needs to make modifications to its products and services but exploring with a completely new product can be considered as an exception among SMEs. The case firm is exploring two things at the same time. It means that it is exploring not only with internationalization but with the new product as well. Therefore, conducting a case study with a more conventional firm might produce different findings.

It would be interesting to conduct a study with a large firm to see, whether it makes decisions differently compared to SMEs. The theory of effectuation (Sarasvathy 2001) describes how entrepreneurial decisions are made and actions performed. The entrepreneurial attitude can be found among SMEs, but it would be interesting to find out how much large firms rely on entrepreneurial decision making.

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Appendices

Appendix 1. Interview questions in English

1. What has been done for the internationalization so far?
 - What has been agreed on?

2. What are your target markets?
 - Have you done market research for that country?
 - Do you have a set up goal for that or some other market?

3. What has been done in terms of production to fit the target market?
 - What makes the new product international?
 - Was it planned to fit international markets or is it more experimentation?
 - What makes it successful in the target market?

4. Who are your main competitors?
 - Has your new software been designed to beat exactly this competitor?

5. What has been done with networking concerning internationalization?
 - For what does your firm need partners for?
 - Was it a planned decision to form a partnership or is it improvisation?
 - Tell me are you open for new partnerships if a possibility emerges?

6. What has been done with marketing and sales to fit the internationalization?
 - Has your firm attracted any customer attention abroad?
 - Do you have pre-set goals for marketing and sales?
 - Do you rely more on planning or do you rely more on experimentation?

7. How the HR has prepared for internationalization?

- Do you have enough international know-how?
 - How do you acquire the international know-how you need?
 - Have you trained staff for internationalization?
8. Have you used any government support for internationalization?
- Business Finland?
 - How has it helped your internationalization?
9. What has been done in ter of financial resources concerning internationalization?
- How has internationalization been taken into account in budgeting?
10. What is your main challenge concerning internationalization?
- What decisions have you made concerning the challenge?

Appendix 2. Interview questions in Finnish

1. Mitä kansainvälistymisen eteen on tehty tähän mennessä?
 - Mitä asian osalta on sovittu?

2. Mikä on yrityksenne kohdemarkkina?
 - Onko maan osalta tehty markkinatutkimusta?
 - Onko kyseisen markkinan tai jonkin toisen markkinan osalta päätetty tavoitteista?

3. Miten tuotekehityksessä on huomioitu kohdemarkkinoiden vaatimukset?
 - Mikä tekee uudesta tuotteesta kansainvälisen?
 - Onko tuote kehitetty varta vasten kansainvälisille markkinoille vai onko mukana kokeilua/testausta
 - Mikä tekee tuotteesta menestyvän kohdemarkkinoilla?

4. Keitä ovat yrityksenne suurimmat kilpailijat?
 - Onko uusi tuote suunniteltu voittamaan juuri tämä kilpailija?

5. Miten verkostoituminen on otettu huomioon kansainvälistymisessä?
 - Miksi yrityksenne tarvitsee kumppaneita?
 - Oliko kumppanuuden luominen suunnittelun tulosta vai reagoitiinko siihen sopivaan tilaisuuteen?
 - Onko yrityksenne mielestäsi valmis yhteistyöhön uusien kumppanien kanssa, jos siihen avautuu tilaisuus?

6. Miten kansainvälistyminen on huomioitu myynnin ja markkinoinnin osalta?
 - Onko yrityksenne herättänyt kiinnostusta ulkomaisissa asiakkaissa?
 - Onko myynnillä ja markkinoinnilla jo ennalta sovittuja tavoitteita kv-markkinoilla?
 - Nojaako myynti ja markkinointi enemmän kokeiluun vai ennalta suunnitteluun?

7. Miten HR on valmistautunut kansainvälistymiseen?

- Onko yrityksessänne riittävästi kansainvälistä osaamista?
- Onko osaamisen hankkimisesta tehty päätöksiä?
- Onko henkilöstöä koulutettu kansainvälistymistä varten?

8. Onko yrityksenne hakenut tai saanut julkista tukea kansainvälistymiseen?

- Business Finland?
- Kuinka se on auttanut kansainvälistymisessä?

9. Miten kansainvälistyminen on huomioitu taloudellisten resurssien osalta?

- Onko kansainvälistyminen huomioitu budjetoinnissa?

10. Mikä on mielestäsi yrityksenne suurin haaste kansainvälistymisessä?

- Mitä päätöksiä asian osalta on tehty?