



## ‘Expect the unexpected’: Implications of effectual logic on the internationalization process



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### ABSTRACT

International entrepreneurship literature has indicated that entrepreneurs often increase international activities along unexpected lines of reasoning without having a precise goal, resulting in “unplanned” internationalization. We argue that “unplanned” internationalization does not necessarily involve non-logical decisions; but, entrepreneurs can follow an effectual rather than causal logic and may base their decisions on the affordable loss principle rather than on the maximization of expected returns. Based on five case-studies, we discuss the implication of effectual decision-making on the internationalization process. We find that switching from causal to effectual logic allows firms to rapidly increase the level of commitment in the foreign market and could assist in overcoming liabilities of outsidership and, therefore, successfully increase the level of commitment in the foreign market.

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### 1. Introduction

International entrepreneurship (IE) literature has indicated that entrepreneurs often successfully adapt to changing environmental circumstances by combining networking, resource based analysis, and serendipity which results in “unplanned” internationalization (Chandra, Styles, & Wilkinson, 2009; Crick & Spence, 2005). The term “unplanned” refers to the fact that a firm expands internationally without a precise plan; nevertheless, it successfully develops international activities.

It emerges that in certain conditions when exploring an international business environment, entrepreneurs apply “unexpected” lines of reasoning (Aharoni, Tihanyi, & Connelly, 2011): they make satisfying decisions (March & Simon, 1958; Cyart & March, 1963) by investing as much as they are willing to lose instead of making decisions based on the logic of cost-minimization and risk-adjusted return on investment. Larimo (1995), for example, analyzes the internationalization process of Finnish firms and finds that managers and entrepreneurs frequently take a limited number of alternatives into consideration and adopt an “acceptable level of decision making as opposed to maximization

behavior” (p. 53). Nielsen and Nielsen (2011) contend that top management can make effective international strategic decisions based on personal background and experience rather than on market research. Still others have provided empirical evidence that, despite the lack of information about host markets, limited international experience, lack of a business plan, and, therefore, a lack of a clear idea about what to do abroad, firms might still invest effectively in foreign countries (Kalinic & Forza, 2012).

Effectuation theory (Sarasvathy, 2001) may assist in understanding “unexpected” lines of reasoning during “unplanned” internationalization, especially at an individual (entrepreneurial) level (Johanson & Vahlne, 2009; Schweizer, Vahlne, & Johanson, 2010). Effectuation is a type of logic alternative to causality which describes decision-making heuristics based on prediction. Sarasvathy (2001) explains how, in conditions of high uncertainty (when the future cannot be predicted or estimated), entrepreneurs create opportunities by basing their decisions on the affordable loss principle rather than on the maximization of expected returns. They, thus, manage to create new ventures with relatively limited investment and taking limited risks. Nevertheless, IE research concentrated principally on organizational networks while somehow neglecting the influence of entrepreneurial decision-making on the internationalization process (Andersson, 2011).

In this paper, we focus on entrepreneurial decision-making during the “unplanned” internationalization and, more specifically, “unplanned” foreign market expansion. First, with an in-depth analysis, we describe and characterize from the effectuation perspective the international expansion process of five case studies

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from Italy. Our findings suggest that “unplanned” internationalization does not necessarily involve non-logical decisions. We argue that entrepreneurs’ decision-making fluctuates between effectual logic and causal logic depending on the level of foreign market uncertainty and entrepreneurs’ propensity to base the decisions on the affordable loss principle rather than on the return on investment calculation. Second, building on these empirical observations, we discuss the implication of the effectual decision-making on foreign market expansion. We find that switching from causal to effectual logic allows firms to rapidly increase the level of commitment in the foreign market and may assist in overcoming liabilities of outsidership and, therefore, successfully increase the level of commitment in the foreign market.

Consequently, we provide several important contributions to the existing literature. First, we make an important contribution to the literature pertaining to the internationalization process (Johanson & Vahlne, 2009; Oviatt & McDougall, 2005). With the addition of insights from the effectuation theory, we advance our knowledge on how entrepreneurs think and make decisions to identify and exploit opportunities in foreign markets (Shane & Venkatarman, 2000; Zahra, Korri, & Yu, 2005) during “unplanned” internationalization (Chandra et al., 2009; Crick & Spence, 2005). Second, we contribute to the IE literature that explores forces influencing the speed of internationalization. Previous research has identified in pre-existing global knowledge the amount of international experience of the entrepreneur and the international network as the reasons that allow to increase rapidly international commitment (Rialp, Rialp, & Knight, 2005; Oviatt & McDougall, 2005). In this study, we add to the knowledge by considering how the change of entrepreneurial decision-making logic (from causal to effectual) allows for acceleration of the internationalization process. Finally, we contribute to the international network literature. While previous research has done a good job of analyzing the role of networks in the internationalization process, this research has mainly focused on the already existing network (Coviello, 2006; Johanson & Vahlne, 2009). By adopting the effectuation theory perspective, we enhance our knowledge on how the international network is formed and, international activity successfully expanded.

In this article, we first present the theoretical background. Afterwards, we describe the method. In the subsequent two sections, we provide evidences of the internationalization process from the cases, subsequently discuss the findings, focusing on implications of the effectual decision-making on the internationalization process. In the last section, we discuss the limits of the study, implications for future research, and practitioners.

## 2. Theoretical background

Behavioral theory of the firm has been the dominant paradigm in studying the decision-making in complex international environments characterized by a high level of uncertainty (Aharoni et al., 2011; Liesch, Welch, & Buckley, 2011). Previous research has helped shape our understanding of the internationalization process; however, it focused more on the content of new venture internationalization strategies and neglected, somehow, to analyze the development and implementation process of these strategies (Zahra & George, 2002; Zahra et al., 2005). The type of managerial decision-making and the connection between the organizational behavior and internationalization still remain under-investigated issues (Rialp et al., 2005). The resource-based view (Peng, 2001; Westhead, Wright, & Ucbasaran, 2001) and the dynamic capabilities approach (Sapienza, Autio, George, & Zahra, 2006; Zahra, Sapienza, & Davidsson, 2006) focused on identifying which resources or capabilities are important in order to obtain a competitive advantage in international markets and, eventually,

how they evolve in time; however, they do not deal with the question of how to obtain them. Organizational learning (De Clercq, Sapienza, & Crijns, 2005; Oviatt & McDougall, 2005) and the network approach (Johanson & Vahlne, 2003; Oviatt & McDougall, 2005; Zander, 2002) also instruct what is needed to reduce the uncertainty typical of an international environment (i.e. acquiring more information); nevertheless, they still do not instruct how to act in conditions of uncertainty.

Relatively recently, IE scholars moved some steps in exploring the connection between the decision making process and internationalization by focusing on opportunity recognition (see Jones, Coviello, & Tang, 2011). They consider that opportunity is not only present in the environment waiting to be discovered, but it can also be created by the entrepreneur. A growing number of studies (e.g. Figueira-de-Lemos, Johanson, & Vahlne, 2011; Frishammar & Andersson, 2009; Spence & Crick, 2006) suggest to use an emerging theory from the entrepreneurship field (effectuation) to interpret “unplanned”<sup>3</sup> entrepreneurial behavior in the internationalization process.

Effectuation tells how to act and base decisions on knowledge and capabilities at disposal in conditions when it is not possible to acquire resources or decrease the level of uncertainty. Effectuation finds its roots in Simon’s science of the artificial and bounded rationality (Simon, 1996). By analyzing the research on decision-making under uncertainty, Sarasvathy (2008) reports that effectual logic is a technique to face the third type of (Knightian) uncertainty, which consists of a “future that was not only unknown, but unknowable even in principle” (p. 26)<sup>4</sup>. In other words, in phenomena with low predictability where the influence of the human action is primary (e.g. internationalization in an unknown market), the behavior of decision makers is not necessarily irrational but can follow a specific logic that leads to “very effective decisions” (Sarasvathy, 2008, p. 26). High (Knightian) uncertainty, together with goal ambiguity and environmental isotropy, constitutes the effectual problem space (Sarasvathy, Dew, Read, & Wiltbank, 2008)<sup>5</sup>. To make effective decisions while being in an effectual problem space, entrepreneurs tend to follow the affordable loss principle (Sarasvathy, 2001). This is a non-predictive mechanism of estimation used extensively in effectual decision-making and useful to nullify the role of uncertainty. In causal logic, entrepreneurs estimate risk by basing their decisions on the information that is outside the decision maker’s control; on the contrary, effectual entrepreneurs need only to know their current financial position and how much they are willing to lose (i.e. the worst case scenario they are ready to face). Thus, by basing the decision on the means available, they begin a new venture and, at the same time, the objective has to be flexible according to the external environment changes, new means at disposal, and eventual unexpected stakeholders that may come on board.

<sup>3</sup> Similar processes have been termed “unstructured decision-making,” “serendipitous reasoning” (Spence and Crick, 2006) or, generally, “unplanned strategy” (Crick and Spence, 2005).

<sup>4</sup> The first type of uncertainty (future is considered as relatively predictable characterized by known distribution and unknown draw) and the second type (future is considered as relatively unpredictable characterized by unknown distribution and unknown draw) (Knight, 1921) are faced respectively by analytic and estimation techniques.

<sup>5</sup> Goal ambiguity indicates that there is only a general goal; but the performances are not given, not well-ordered nor translated in specific sub-objectives/action plans. It is more likely that the decision maker (i.e. entrepreneur) has a vague, general, final ambition (vision) that can be refined and even completely changed through the interaction with other people and the environment. Isotropy indicates that *ex ante* it is not clear which pieces of the environment can be useful. Therefore, the process of collecting information is difficult and cannot be set up in a traditional manner as we do not know which information to pay attention to and which to ignore. (Sarasvathy et al., 2008).

The effectuation–“indicating human agency, or a casual intervention by human beings in the real world” (Sarasvathy, 2008, p. 27)–is used as a cognitive inverse of causation. The causal logic models start with defining a clear goal to achieve and, consequently, they select the appropriate means or look to create new ones–it is a goal-driven and resource-dependent process. The opportunities are given, and the challenge consists in finding them. The effectual logic models start with the means in the possession of the entrepreneur. The goal is vague and not fixed, but it is defined through the interaction with the environment–it is a path- and stakeholders-dependent process. Entrepreneurs may or may not recognize an opportunity, but they begin the venture based on who they are, what they know and whom they know (Sarasvathy & Dew, 2005). They do not analyze all of the clusters of opportunities available but consider the means in their possession (means available) and analyzes what they can do (goals/courses of action possible). The decision is not based on the calculation of the opportunity cost but on the principle of affordable loss, i.e. on how much one is willing to lose. This implies that making a commitment based on affordable loss calculations minimizes (or can even eliminate) reliance on predictive information. Interaction with other people is crucial. The potential stakeholders are not pre-determined, but they emerge from the interaction process (potential customers can become partners, potential suppliers–customers, etc.). This is possible as the goals are not clearly defined and, actually, their shape is a result of the interaction. New stakeholders bring visions, goals, and means into the venture. Thus, the commitment of the effectual stakeholders produces new goals as well as new means that belong to two concurrent cycles. Adding new means to the pre-existing ones expands the resources at one’s disposal. Actual means are transformed from ‘who I am, what I know, whom I know’ into ‘who we are, what we know, whom we know’. On the other hand, creating new goals modifies ‘what I can do’ into ‘what we can do’. Converging goals/possible courses of action create new markets and other effectual artifacts. Thus, a new artifact is not the result of the design of a specific person (Sarasvathy, 2001) but comes through the interaction of the members of the network and not-yet-members of the network–it is the result of the process.

Effectuation has been recently introduced in IE works. Most of the works mention the new theory as support for strengthening their theoretical part (e.g. Figueira-de-Lemos et al., 2011; Spence & Crick, 2006) or to highlight its potentials (e.g. Chandra et al., 2009). Frishammar and Andersson (2009) use effectuation theory to provide an alternative possible explanation as to why marketing orientation construct failed in explaining international performance in small firms. According to the authors, the construct was developed following causal logic whereas entrepreneurs relied more on effectual logic. In 2009, Johanson and Vahlne updated their Uppsala model based on the international new venture literature (Oviatt & McDougall, 2005). They acknowledge the importance of existing knowledge and international networking and recognize the potential of effectuation to explain the internationalization process at an individual (i.e. entrepreneurial) level. Finally, Schweizer et al. (2010) use Sarasvathy’s (2001) effectuation discussion and add the entrepreneurial capability variable, which takes into consideration the entrepreneur’s ability to exploit contingencies in conditions of uncertainty and ambiguity and create new knowledge of opportunities. Nevertheless, the focus has been more on organizational networks than on entrepreneurial decision making and its influence on the internationalization process (Andersson, 2011).

In the present research, we use effectuation lenses to describe and characterize the “unplanned” international expansion, and we investigate the implications of effectual reasoning on the

internationalization process. In the following section, we describe the method used in the research.

### 3. Method

We apply the basis of a still emerging theory (effectuation) (Chandler, DeTienne, McKelvie, & Mumford, 2011; Perry, Chandler, & Markova, 2011) to already existing organizations (versus creation of new ventures and new markets). The complexity of the phenomena (decision-making process during a crucial phase for an organization (Eisenhardt & Graebner, 2007) and the need to “unravel the underlying dynamics of phenomena that play out over time” (Siggelkow, 2007, p. 22) suggested that we should adopt an approach aimed at gathering rich, in-depth data. We employed multiple cases as that method allows dynamic processes to be more deeply investigated (Eisenhardt, 1989).

#### 3.1. Research setting

We searched for companies that internationalized production by opening a foreign subsidiary (high level of international commitment) in a market where knowledge was limited. Therefore, we expected to find a high level of uncertainty which likely resulted in some unplanned international expansion. We also looked for companies where the guidance of the entrepreneurs was extremely important, and they played a fundamental role in the internationalization process.

In accordance with the above-mentioned reasoning, we identified five manufacturing SMEs. We adopted ‘replication logic’ where each case was exploited to confirm or disconfirm the emergent relations inferred from the other cases (Eisenhardt, 1989; Yin, 1984); the series of cases is considered equivalent to multiple experiments. The sampling was theoretical and not statistical, as recommended by a number of researchers (e.g. Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Glaser & Strauss, 1967). Our aim consisted of comparing the phenomenon in a systematic way (Chauri, 2004) in companies with different ages and from various sectors.

The selection of five case studies is consequent to the saturation threshold logic (Eisenhardt, 1989). The last two cases confirmed the findings of the first three cases and, despite the differences among the companies (e.g. industry), additional cases were not providing substantial additional theoretical insights. Therefore, also taking into consideration the diseconomies due to time and cost constraints, we decided to limit the number of cases to five.

The five manufacturing SMEs are from Italy and were established between 1948 and 1992. All of the companies produce (manufacture and/or assemble) and sell their own products but they are part of different industries (see Table 1). During the 2000s, the companies established production units in various Eastern European countries; earlier, the firms’ commitment in the host region was negligible. Before undertaking the establishment of a production unit abroad, the companies had some (mostly passive) international experience by exporting (to different degrees) mainly or exclusively to Western European or the most developed countries. None of them had defined a precise internationalization strategy. The production abroad and the connections among plants began functioning regularly within three years.

#### 3.2. Data gathering

Prior to beginning the selection of the case studies, we consulted ten key-informants coming from different countries; they are experts on the internationalization processes of SMEs. We interviewed them for two purposes. First, we developed the interview protocol to be employed in the main phase. The second

**Table 1**  
Case companies.

Company <sup>a</sup>	Industry sector	Year of establishing	Year of intl. of the production	Employees	Export (%)	Country
Mechatronics	Electronic	1985	2002	55	25	Slovakia
MetalWorking	Mechanical	1948	2000	180	45	Slovakia
NiceCloth	Apparel	1986	2002	135	83	Romania
AirPress	Mechanical	1992	2001	45	40	Bosnia
Plastikona	Plastics	1977	2004	60	30	Serbia

<sup>a</sup> The names of the companies are disguised.

purpose consisted of compiling a list of companies suitable for the main phase of investigation.

Investigating decision-making is a very complex and challenging process. It is subject to distortions due to a number of reasons, e.g. attribution errors (Lovallo & Kahneman, 2003), an interviewee's capability to recall events, and an interviewee's personal biases. Minimizing the effects of these distortions enhances the quality. Therefore, we utilized various sources and methods to gather data. The exploitation of interviews allows tracing the strategic decision process (Larimo, 1995), and the best track of the process remains in the minds of those people who were directly involved in making decisions (Mintzberg, Raisinghani, & Theoret, 1976). The employment of observations and organizational records, together with interviews, was important for triangulation in order to ensure the quality and reliability of the data (Andersen & Skaates, 2004; Ghauri, 2004).

### 3.2.1. Interviews

Before conducting the interviews, we explained the research, asked for permission to tape-record, and guaranteed anonymity. We took a retrospective perspective on a set of decisions spread over a time preceding the initiation of internationalization of production until three years later. During this period, it is reasonable to suppose that they completed the internationalization process and normalized the flow of information and goods among different facilities. We began by asking the informants to illustrate the company and the internationalization of the production. The decision of the international expansion and subsequent decisions were described in detail. We focused on describing the manner in which they were adopted and which were the most influential factors and people in decision-making.

Finally, we asked the interviewees to describe the expected and unexpected outcomes of the decision making process. We paid particular attention to the timing of different events and collected not only factual data but also the perceived decision behavior of the entrepreneur and the interpretation of the events.

For every case, we interviewed the entrepreneurs who were also the owners and founders of the companies (except for MetalWorking where he is the son of the founder). The entrepreneurs came from different educational backgrounds and working experience. The level of education ranges from a university degree to the first grade in high school. Regarding working experience, some of them have always worked in the same company, others have worked in other local SMEs, and still others have previously worked in large MNCs.

The entrepreneurs made all of the most important decisions regarding the internationalization process as it was a strategically crucial choice. Pilot consultants suggested also including other managers highly involved in the internationalization process as these highly knowledgeable informants view the phenomena from diverse perspectives (Eisenhardt & Graebner, 2007). Our objective was not to determine the decision making process of the additional informants but to only employ them to reduce the possibility of random distortion (Larimo, 1995) and retrospective bias. In the event of discrepancies among respondents, we asked for further clarifications, thereby increasing the quality of the information collected.

The length of single interviews varied considerably (see Table 2) according to the interviewee's capability to recall events and to summarize the concepts, availability, and amount of information in his possession. All of the interviews were tape-recorded and subsequently transcribed verbatim. In order to reduce observation

**Table 2**  
Data sources.

		Company				
		Mechatronics	MetalWorking	NiceCloth	AirPress	Plastikona
Interviews	Informants (hours of interview)	Entrepreneur (3.5)	Entrepreneur (2)	Entrepreneur (4)	Entrepreneur (5)	Entrepreneur (3.5)
		Sales manager (5)	Commercial and Logistics manager (2)	Logistics manager (2)	Production manager (2)	Production manager (0,5)
		Production manager (2)	General manager (3)			
	Total hours of interview	10.5	7	6	7	4
On-site visits	Sites visited	All	Production unit	Cutting, sawing unit	Assembling unit Projecting unit	Production unit
				Designing unit		
Internal and public documents	Number of visits	6	1	2	3	2
		Business plan	Web-site	Balance sheets	Balance sheets	Balance sheets
	Examples	Balance sheets	Balance sheets	Internal documents	Web-site	Internal documents
		Web-site Internal documents				
	Number of documents	7	1	3	3	3

bias (Voss, Tsiriktsis, & Frohlich, 2002), to increase the 'creative potential of the study', and to 'enhance the confidence in the findings' (Eisenhardt, 1989), two investigators collectively conducted each interview. Within a half hour following the interviews, the interviewers compared impressions and made a note of them, which was subsequently attached to the transcription. All of the information collected was entered into a case study file. After the within-case analysis, we contacted each company for up to three follow-up interviews in order to check the analysis, to complete missing data, and to clarify conflicting outcomes.

### 3.2.2. On-site visits

The visits were aimed at understanding the environment and consisted of getting in contact with employees and comprehending processes and products. In this manner, we were able to better understand some of the examples used by the interviewees. We conducted the interviews at the informants' company as well in order to make them feel more comfortable by speaking in their own environment. After each visit, the researchers annotated impressions and attached them to the case study file.

### 3.2.3. Internal and public documents

Before, during, and after the visits and interviews, we collected a number of different documents (see Table 2) which provided us with relevant archival data. We attached all of the documents to the case study file. The documents were analyzed and the relevant information summarized with tables when possible. We then exploited the accumulated information to complete the dataset and as a further check for the retrospective biases.

### 3.3. Data analysis

We compared the information obtained through the interviews with that obtained from the analysis of the documents. In the event of discrepancies, we asked for further clarification in the follow up interviews. We also investigated the phenomenon by studying the companies' internationalization stories as the entrepreneur's decisions are well reflected in the SME's actions. In fact, in SMEs, the power of decision-making is habitually concentrated in one (the entrepreneur) or a few persons (Andersson & Floren, 2008), and the role of the entrepreneur is crucial and predominant (Bloodgood, Sapienza, & Almeida, 1996; Westhead et al., 2001; Zucchella, Palamara, & Denicolai, 2007). During within-case analysis, we adopted the coding techniques suggested by Strauss (1987). We first clustered the companies' interviews into two large first order categories. The categories are the story of internationalization and the key decision-making moments. Afterwards, we divided each category into second order categories. Finally, we wrote the single case stories with the intent of identifying missing or contradictory information.

Subsequently, cross-case analysis was conducted by adopting the techniques suggested by Miles and Huberman (1994). We examined the similarities and differences among the cases and analyzed them in pairs. The similarities were grouped together and retested in each case. In the analysis, we employed widely tabular displays (Miles & Huberman, 1994). We exploited the dynamic model of Effectuation to analyze the international expansion from a decision-making perspective and to assess whether the decision-making had followed a more causal or effectual logic. The iteration among data, theory, and the conclusions was constant, thus resulting in a refinement of the propositions.

The coding and the analysis were conducted independently by the two researchers involved in the interviewing process, and the information that emerged was then reviewed by the third researcher (not involved in the interviewing process). The first two researchers are from the operations management and

international business field, whereas the third is from the entrepreneurship field. The coding of the two researchers overlapped approximately 90%. In the event of a disagreement, we discussed the differences in detail by going back to the source data in order to verify the collected information, enhance the coding quality, and gain a deeper and more critical understanding of the phenomenon. Subsequently, as there were no radical differences, we integrated the different positions into one.

## 4. Evidences of the internationalization process

In order to summarize the outcomes from the richness of the collected data, we recall exemplary details and quotations from the cross-case analysis while we use tables (3 and 4) to present the cross-case empirical evidence in a systematic way.

Each company operates in a specific environment. Identifying the characteristics of the environment is important to contextualize the findings and to set the limits and the generalizability potentials. The empirical evidence suggests three main aspects: the entrepreneurs possessed a limited knowledge of the host market, they did not know how to and did not prepare an internationalization plan, and most of their actions preceded the collection of information.

First, the general knowledge about the host countries was scarce because, only ten years earlier, a large number of the countries were behind the Iron Curtain. Although the mentioned countries had undertaken a path toward an integration with EU laws, at the beginning of the 2000s, there were still remarkable differences not only from administrative point of view but also cultural and economic. At the moment of the FDI, the entrepreneur perceived the countries at a psychic distance (Johanson & Vahlne, 1977) and the level of uncertainty was high—they did not know what expect.

Secondly, the entrepreneurs had set a general goal, i.e. they wanted their firm to survive or to expand. However, how to benefit from the internationalization and which kind of internationalization to perform was not clear. The general goal had not been translated into specific "sub-goals that can be actually acted upon" (Sarasvathy, 2008, p. 113). The definition of sub-goals followed the action. Even without a clear idea, the entrepreneurs decided to act and interact with the environment. It resulted in a more precise re-definition of the initial objective. The sub-goals, such as the choice of the foreign country, the partners, the type of internationalization, and the operations to be internationalized are all products of the interaction with other people that may come on board and become effectual stakeholders.

Thirdly, the entrepreneurs were simply not able to estimate the value of most information or to be sure which information they would need. They did not have any previous experience in establishing a subsidiary, and their knowledge of the foreign market was limited. At the same time, they did not have people with such knowledge within the company; the environmental isotropy stressed the importance of interacting with other people and the necessity of taking some of them on board.

In the remaining part of the section, we report the empirical evidence of the internationalization phenomenon under observation.

### 4.1. Starting point: means available and possible actions

Traditional theories and best practices suggest to collect information (e.g. perform in-depth market researches), identify different scenarios (e.g. ask for help to consulting companies), select a clear goal and transform it in specific lines of action. Instead, the entrepreneurs had the need and/or wish to act immediately without waiting for learning. The entrepreneurs were

convinced that they knew their products. They thought that being able to produce them in Italy would afford them the capability to do so abroad. However, they missed knowledge about the incoming market and did not have experience in FDI. The previous internationalization efforts consisted mainly of indirect exports to neighboring countries that did not affect the internal identity of the entrepreneurs. NiceCloth entrepreneur says:

“Our product is very complex. [...] We are very good at cutting different materials with different specifications and assembling them with different patterns. This is our specialty! Just thinking about doing this abroad terrifies me! But... when the pressure increases, you are forced to take other paths into consideration...”

The entrepreneurs asked themselves: “*What can I do? How can I act?*”. From people they know (their local network), they heard about favorable conditions in certain Eastern European countries. The entrepreneurs chose the first country that satisfied the main goal (e.g. lower production costs) and where the other factors were not disturbing ones; albeit, they still did not decide about the form of FDI. The comparison with the alternative countries was limited or totally nonexistent.

#### 4.2. How the interaction with other people took to the international commitment

At this point, the destination was selected; but, entrepreneurs did not have previous experience in internationalizing production and did not know what the possibilities actually were and, consequently, the steps to follow. The interaction with people and integration on board of new stakeholders re-defined the initial goals in all companies (see Table 3). For example, AirPress, having aimed at selling in Serbia, established a joint venture in Bosnia where they assembled the products to sell in Bosnia and Serbia. In case of MetalWorking, the entrepreneur, having aimed at finding some cheaper subcontractors, took over a company in Slovakia and

verticalized a number of operations. The interaction and integration did not instantly occur but was a cyclical and continuous process that, with the passing of time, brought a more clear idea in the entrepreneur's mind about how to proceed abroad. Hereinafter, we illustrate how the entrepreneur's initial, general, and vague objective was transformed into an effectual commitment through interaction with other people and integration of new and unexpected stakeholders.

MetalWorking's entrepreneur, thanks to one of his own managers, contacted a decades old Slovakian company. Pushed by the low cost of the semi-manufactured products and by the opportunity to substitute a relevant number of small subcontractors with a unique partner, the entrepreneur decided to initiate a long-term relationship with the Slovakian company. After some months, the Slovakian company faced bankruptcy for reasons formerly unknown to the Italian machine producer. Thus, the entrepreneur made the decision to take over the Slovakian company and its top management. The entrepreneur explained the main reason driving the decision: “...*the first thing I considered was that finally we'd manufacture the machines alone!*”.

Originally, AirPress visited Serbia with a business mission organized by the Chamber of Commerce and guided by AirPress's entrepreneur. The goal was to explore the lay of the land for a potential distributor in that country. The entrepreneur met a Bosnian who was selling the compressors in Serbia and Bosnia. They established a commercial collaboration, which was almost immediately transformed into a joint venture in Bosnia. The AirPress's entrepreneur told Bosnian partner:

“We offer you the production know-how. You have the possibility to be present on the territory. Let's do something together, and let's see whether it's possible to assemble the product in Bosnia”.

In fact, AirPress's entrepreneur realized the potential of the new distributor, the lower labor cost in Bosnia and, above all, the necessity for the distributor to know the product better in order to

**Table 3**  
From the initial objective to the international commitment.

Company	Initial objective	Initial information's network	Stakeholders integrated on board	First operations abroad	Unexpected impact
Mechatronics	Assembling abroad (subcontractor)	Political institution (entrepreneur member of the board)	–	Green field factory in Slovakia	Creation of an industrial zone in a Slovakian town (agreement with the local institutions to provide infrastructures for the Mechatronics's subsidiary and other potential investors)
MetalWorking	Substitute Italian subcontractors with low cost ones Outsource in low-cost country	Own manager's personal connections (with a Slovakian factory)	Slovakian company's management	Acquisition of a big company in Slovakia  internalized some operations	Creation of independent sister company in Slovakia
NiceCloth	Find subcontractors that disappeared in Italy -  Outsource in Romania (externalize the operations)	Friends entrepreneurs operating abroad (in Romania)	Italian manager operating since many years in Romania	Green field company in Romania  kept the operations internally	Local network of subcontractors
AirPress	Extend market	Chamber of commerce (entrepreneur member of the board)	Bosnian distributor	Joint venture in Bosnia – assembling, selling and after-sales service in Bosnia and Serbia	Creation of independent sister company in Bosnia
Plastikona	Selling in Serbia Produce abroad	Own employees (70% Serbian immigrants)	Own Serbian employees  Italian manager operating in Serbia	Green field factory in Serbia	Local network of subcontractors Creation of independent sister company in Serbia

be able to provide post-sales service (key factor in the sector). The distributor considered the chances to increment the turnover and become a distributor of his own products and, thus, accepted the offer.

After beginning the production unit abroad, two facts were presented to the entrepreneurs. First, they would have new means at their disposal and, secondly, they would be able to extend the objectives of the commitment. In the following two sections, we describe how the companies changed consequent to the specific path followed.

#### 4.3. Creation of new means (for the internationalization)

The establishment of a production unit abroad provided companies and entrepreneurs with new means. They expanded their resources and knowledge through interaction with other people, by 'taking on board' new people (effectual stakeholders), and through direct experience. The specific path followed had three main consequences on the management and the entrepreneurs.

First, it changed them and their perception of themselves. The entrepreneur and the management, as well as the low-level employees, consider now their company as a small international firm. AirPress's entrepreneur says:

"[Workers] changed. Before there was a tendency to say: 'No, no!' to internationalization. They were afraid about losing their jobs, as the production would be transferred abroad. But, after a year and a half they realized that production increased also thanks to the [Bosnian] subsidiary. They realized: 'Ah, ok! We can repeat the stuff [internationalization]'. Today, they are open to new experiences; they ask us to go even more international! "

Consequently, the management changed the way of presenting the company toward both the clients and the employees. For example, Plastikona presents itself to the clients as a flexible international company, although still medium-sized. They are capable of delivering products at a lower price but with a longer delivery time (by producing in Serbia) or, vice versa, at a higher price and shorter delivery time (by producing in Italy). AirPress and MetalWorking use the new branding to communicate that they are capable of locally providing high level, after-sale assistance. On the other hand, when hiring new personnel, the companies emphasize the importance of having international experience in the job description. Plastikona's entrepreneur, speaking about the workers' attitude toward the internationalization of the activities, says:

"At the beginning there's a lot of resistance, it seems that you want to take everything from them [employees]! [...] But with the passing of the time people understood. [...] When they [employees] realized that the factories that hadn't internationalized were bankrupting and our company grew and became larger, this was a source of pride! From being a negative thing, it became something very positive."

Secondly, the path followed extended the knowledge in the entrepreneur's and management's possession. The entrepreneurs and the companies learned how to establish a subsidiary abroad. They learned what kind of problems could arise and what kind of professional support (e.g. juridical, accounting) they would need. Every entrepreneur took internationalization as a challenge. They did not know what to expect or whether they were able to accomplish it. But now, they and their companies are aware of their potentials: although small, they can go international. AirPress's entrepreneur states:

"Definitely [the internationalization experience in Bosnia] from the strategic point of view told us: 'Ok! We can do it!'. In other words, we can go to India, we can go... I mean, often the difference between thinking and making it happen consists in being convinced that you can do it. "

Thirdly, the path extended the network of the people they know by the entrepreneur, management, and employees first coming in contact with the foreign subsidiary and establishing professional and personal relations with the foreign employees and other people in the foreign country. Second, the entrepreneurs and management met professional experts in international business. They supported the companies in bureaucratic, legal and administrative issues; in addition, AirPress, Mechatronics and Plastikona employed a person capable of speaking the local language to manage administrative issues. In this way, the companies extended the means at their disposal by integrating them among their own resources. This increased the general attitude in understanding specific foreign cultural, mental, religious, and linguistic aspects. NiceCloth's entrepreneur reported:

"[Internationalization] is a great aid because it allows us to penetrate and to understand certain dynamics. [...] Now we've made an [international] experience; it allows us to think and to be open to any possible future event. "

The followed path allowed all the entrepreneurs to take further international expansions into consideration (see Table 4). The following internationalizations involved fewer efforts thanks to the experience acquired and means available. In other words, the entrepreneur and managers knew what to do. AirPress's entrepreneur is convinced that "after the experience in Serbia, establishing a factory in Brazil was easy! We knew what to do".

It is interesting to notice that, in subsequent expansions abroad, AirPress, Plastikona, MetalWorking, and partially Mechatronics and NiceCloth, followed a more systematic approach, adopting causal rather than effectual logic in making decisions. They began with a concrete problem; they identified a number of possible solutions by evaluating the pros and cons of each. They reduced the choice to two or three solutions with the best scenarios, then analyzed them more in-depth and, finally, they implemented the solution with the best scenario. The action followed the collection of information and careful planning of activities. When AirPress decided to enter the South-American market, the entrepreneurs

**Table 4**  
Further internationalizations and the activities of the subsidiaries.

Company	Further internationalizations (already performed)		Internationalizations being planned (not yet performed)	
	Where	Activities	Where	Activities
Mechatronics	China	Production, sourcing, selling	–	–
MetalWorking	England	Projecting	Turkey or Brazil	Production
NiceCloth	Albania	Production + differentiation of core business (real estate)	–	–
AirPress	Brazil	Production, sourcing, selling	–	–
Plastikona	Poland	Production, selling	Arabia or Bulgaria	Production, selling or sourcing

took the market potential of each country into consideration and chose Brazil as the most promising. In order to enter into the market more effectively, they looked for a company capable of (in order of importance): marketing, providing post-sales service, manufacturing and designing the compressors. The first research produced a total of about 20 potential partners. Out of the 20 chosen, three companies with equivalent technical skills were chosen for a more in-depth investigation. The entrepreneurs then decided to begin a joint venture with the company whose entrepreneur had Italian origins and could speak Italian, thus, the communication was less problematic.

Concluding, in all cases, different self-perception, extension of knowledge, and extension of the international network expanded the resources available to the companies. The originally locally oriented SMEs became truly international SMEs, able to operate globally (e.g. China, Brazil). Their entrepreneurs, their management, and also, to a certain extent, their employees considered opportunities/threats coming from different corners of the world.

#### 4.4. Re-definition of goals and creation of the international venture

Generally, the companies established foreign subsidiaries with the initial goal to make them work as mere production units of the Italian factory independent from the local territory. The entrepreneurs' idea consisted in executing abroad the simplest operations and operations with a high incidence of the workforce, thus exploiting lower production costs. The specific path followed during the internationalization, the interaction with other people, and the establishment of a company in collaboration with (unexpected) stakeholders (e.g. local managers, own employees) redefined and specified the objectives of the foreign subsidiary.

When Plastikona began operations in Serbia, they rented a small shed and transferred some presses from their Italian factory (the ones with the highest incidence of workforce). By the end of the first year, the entrepreneur decided to increase the number of operations by transferring other presses. Afterwards, new presses that had not been previously owned were acquired only for the Serbian factory. Thus, productions currently in Serbia and in Italy are distinct. The Italian factory manufactures products that require big-sized presses and a high level of automation; the Serbian factory owns medium-sized presses. Additionally, the production knowledge of some products is mainly in Serbia as their production was initiated directly in the subsidiary. Some local Serbian companies noticed the presence of the subsidiary and contacted it. Therefore, Plastikona's subsidiary unexpectedly extended its activities by selling finished products and acquiring raw materials locally. Plastikona's general manager states:

"... now [3,5 years after establishing the subsidiary] we are starting to take some jobs in Serbia... now that they [Serbian companies] understand that we mold there.[...] They arrived in the subsidiary and asked us whether we are capable of molding beer cases for them."

Among the first people to work for the Serbian subsidiary were Serbs that had previously worked for Plastikona in Italy. The majority of the workers in the Italian factory are Serbian immigrants and some of them accepted transfer. One of them, after having worked four years for the subsidiary, decided to establish his own small factory in the same sector. Plastikona seized that opportunity and supported him during the initial phases by providing him with some small presses. Due to that occurrence, the entrepreneur identified other subcontractors and created a subcontractors' network in Serbia such as that which was already present in Italy. At the same time, they increased the investments in Serbia by building a new, larger building including

a warehouse and office space. Despite the initial prudential plan, the entrepreneur now intended instead to set up a more independent subsidiary with its own sales and purchasing departments. Plastikona's general manager says:

"In Serbia, we need to create a company that remains linked to us, but that company has to become progressively more independent. They don't have to send me back the goods. [...] We want to provide the subsidiary with their own local clients. [...] There will be an independent sales office..."

Concluding, after a few months of initiating the production abroad, the new objectives included the extension and definition of operations in the foreign subsidiary, extension and definition of activities of the foreign subsidiary, and connection of the foreign subsidiary with the local territory (see Table 5). Therefore, the subsidiaries became a new artifact through the interaction with other people met along the way and by the modification of the objectives through the entrance of new stakeholders.

To summarize, the analysis suggests that the results of the internationalization process are threefold: new goals, new means and new artifacts. New goals consist of defining operations and extending activities assigned to the foreign subsidiary. New means are the resources acquired and the capabilities developed that are necessary for further internationalizations (see Table 4). New goals contributed to the creation of a new artifact; an effectual sister factory with its own structure able to contribute actively to the newly formed international group (see Table 3). New means expanded the resources in the possession of SMEs; the original locally oriented SMEs became truly international SMEs able to operate globally as is witnessed by further internationalizations.

Analysis of the empirical evidence in the five cases of "unplanned" internationalization suggests that the context in which entrepreneurs make decisions during the internationalization process is complex and may have characteristics similar to the effectual problem space. Before or while investing in the foreign country, it is complicated for the entrepreneurs to develop different possible scenarios due to the lack of information or capabilities (high uncertainty), the initial goal can be vague and not developed in sub-goals (goal ambiguity), and it is difficult to know which information in the environment is valuable (environmental isotropy). Therefore, the companies do not prepare a business plan attempting to predict the correlation between the investment and profit. The entrepreneurs advance by investing time and resources that they could take away from the home company without damaging it, thus limiting the risk (i.e. following affordable loss principle). They proceeded carefully, always maintaining the possibility to retreat even though they rapidly increased the number of employees, the number of activities, and their complexity.

Notwithstanding, we noticed a potential difference between the dynamic model of effectuation presented by Sarasvathy and Dew (2005) and what we discovered. The entrepreneur initiates the decision-making process by analyzing 'Who I am' and 'What I know'; but the analysis of 'Whom I know' tends to come after investigating 'What I can do'. We suppose that the difference consists in the fact that the entrepreneurs in the considered companies are experienced as in Sarasvathy and Dew's work, but they are part of already existing organizations (SMEs). When facing a problem, they tend to understand at first glance the possible solutions basing their evaluation on the capabilities and resources already owned by their SMEs and address the network only if the solutions cannot be identified. Nevertheless, this difference is, in our opinion, limited and does not compromise the applicability of the model. In the following section, we discuss the implication of the effectual decision-making on the internationalization process.



**Table 5**  
Unexpected goals and new means.

Company	Unexpected operations	Unexpected activities	Unexpected international attitude	New know-how	Network extension
	[Unexpected goals]			[New means]	
Mechatronics	Extended the number of products (more complex) assembled in Slovakia	Accounting for the subsidiary performed in Slovakia (not by Italian unit)	Self-confidence (perception that they can go worldwide)	Knowledge about how to establish a subsidiary abroad (and in general how to go international)	Availability of professionals in international business:
	Extended the number of operations (more complex) performed in Slovakia				– company consultant in internationalization processes – company employer expert in international accounting
MetalWorking	Extended the number of products (more complex) assembled in Slovakia	Projecting, sourcing and selling units in Slovakian subsidiary	Self-confidence (perception that they can go international)	Knowledge about how to establish a subsidiary abroad (and in general how to go international)	Availability of professionals in international business:
	Internalized new operations (e.g. painting) in the subsidiary	After sale service provided directly by Slovakian subsidiary	Internationally experienced and oriented workforce		– international managers  – experts in international accounting – experts in international trade
NiceCloth	Extended the number of products through the identification of new subcontractors	Outsourcing in Romania (extended portfolio of products)	Self-confidence (perception that they can go international)	Knowledge about how to establish a subsidiary abroad (and in general how to go international)	Availability of professionals in international business:
	Internalized new operations (e.g. cutting) in the Italian factory	Differentiating the core business	Internationally collaborative workforce		– experts in international trade – international managers – experts in customer duties
AirPress	Extended the number of products (more complex) assembled in Bosnia	Sourcing in ex-Yugoslavia	Self-confidence (perception that they can go worldwide)	Knowledge about how to establish a subsidiary abroad (and in general how to go international)	Availability of professionals in international business:
		After sale service provided directly by Bosnian subsidiary	Workforce supportive of internationalization strategy		– experts in international accounting – experts in customer duties – experts in international trade
Plastikona	Started production of new products through the acquisition of new machines for the subsidiary Differentiated the operations between Italian factory and Serbian subsidiary	Selling in Serbia	Self-confidence (perception that they can go international)	Knowledge about how to establish a subsidiary abroad (and in general how to go international)	Availability of professionals in international business:
		Outsourcing in Serbia	Image of flexible international company  International supportive workforce		– company employer expert in Serbian accounting – experts in international trade

## 5. Discussion

We noticed that entrepreneurs, when dealing with foreign market expansion decisions, prefer causal over effectual logic if information availability and information processing capabilities allow it. From the analysis, it emerges that the entrepreneurs instinctively begin approaching the problem with causal modus operandi; nevertheless, if it appears too complex, they pass smoothly to the effectuation logic. Often, when posing the question: “Did you develop any business plan before the first FDI?”, the entrepreneurs answered affirmatively, but we then discovered that the business plan was nothing more than a draft. Actually, the decisions were made once the internationalization was in the process according to the means available and interaction with people. On the contrary, we found that, in the

subsequent expansions abroad, the entrepreneurs employed a more systematic approach moving closer to casual logic in decision-making. In fact, there was a good match between subsequent FDIs and corresponding business plans. This is probably due to learning from the first production-oriented internationalization which information is crucial and which variables are important to be taken into consideration.

This is not surprising since [Johanson and Vahlne \(2009: 1423\)](#) consider “the effectuation process as developed by Sarasvathy to be fully consistent with our [Uppsala] model” and [Schweizer et al. \(2010\)](#), based on effectuation theory, include entrepreneurial capabilities in the model that supplement knowledge and opportunities. They argue that the entrepreneur, with the ability to exploit contingencies and create new knowledge of opportunities, has an advantage in an uncertain international

environment; however, in the Uppsala model, (international) commitment and learning are still strictly interrelated. We discovered that acting can considerably precede learning (in the reported cases, the level of knowledge of the foreign market is limited although the type of international commitment is high since inception). Entrepreneurs may change the direction or the level of the international commitment without basing the decision on what they have learned during the process. Given the high level of uncertainty, the acquired knowledge might be not enough to develop the general goal in sub-goals and in specific lines of actions, but the entrepreneurs act based on the means available following the affordable loss principle and create effective international ventures. Only after a considerable amount of time are the decisions made again based on the acquired and structured knowledge and, therefore, following the logic of cost-minimization and risk-adjusted return on investment. In summary, when adopting the affordable loss principle, the international commitment can precede the development of a general goal in sub-goals and in specific lines of actions. It is at the entrepreneur's discretion to evaluate if there is enough information to calculate the risk and estimate the return on investment or, otherwise, if he is willing to base decisions on the affordable loss principle. Otherwise stated, "unplanned" internationalization does not necessarily involve non-logical decisions; but, the entrepreneurs can follow a different (effectual vs causal) logic. The consequence of the above reported considerations is that the use of effectuation logic or causal logic by the same entrepreneur regarding the same foreign market expansion decisions depends on the challenges posed by the environment and propensity of the entrepreneur.

### 5.1. Implication of the effectual decision-making on the internationalization process

According to existing theories, an SME is supposed to follow a gradual internationalization process (e.g., Uppsala model, Innovation-related model) or become a 'born-again global firm'. By internationalizing gradually, the company increases its international commitment as a result of different types of learning. The start-up of an overseas production unit is eventually seen as an ending point (Johanson & Vahlne, 1977). Conversely, if the company wants to accelerate the internationalization process, a critical event (e.g., change in ownership, product innovation) is necessary (Bell, McNaughton, Young, & Crick, 2003). The critical event subsequently leads to a change in the company's strategy and increases its knowledge intensity (Bell et al., 2003). Firms that perform a rapid internationalization are usually knowledge-intensive or knowledge-based. They internationalize rapidly due to a pre-existing global knowledge (Rialp et al., 2005), international experience of the entrepreneur (Oviatt & McDougall, 2005), and/or an international network (Johanson & Vahlne, 2009; Oviatt & McDougall, 2005).

Notwithstanding, the empirical evidence provided by the cases suggests that it is possible to perform a(n) (unplanned) high level of international commitment in an unknown market and (unexpectedly) accelerate the internationalization process despite limited international experience and lack of an international network. However, the high uncertainty of the host market made it very complex for entrepreneurs to make decisions. The information processing view suggests that when complexity increases, it is necessary to process a larger amount of information (Galbraith, 1974). But, first, the entrepreneurs did not have the necessary knowledge to manage the complexity on their own to develop a precise internationalization plan (goal ambiguity). Secondly, the entrepreneurs did not have people inside the company that could be of assistance. And thirdly, the entrepreneurs did not resort to

external help (e.g. market survey, consultant company) because they did not know which information they would have needed (environmental isotropy) and/or because of the limited resources at their disposal, typical for a SME.

If it is not possible to process a larger amount of information, the information processing view suggests to redesign the organization in order to reduce the quantity of information required (Galbraith, 1974). However, in the case-studies, instead of redesigning the organization to better plan the internationalization, the entrepreneurs modified the decision-making process (from causal to effectual). In a causal decisional process, it is necessary to process a significant amount of information in order to plan the future or to develop possible scenarios. Whereas, effectuation logic has the starting point in the analysis of the means at own disposal (Sarasvathy, 2008); the operating (acting) may precede the collection of information. From an information processing perspective, the effectual decision-making can be considered a beneficial tool when dealing with an increased external environment complexity. From the internationalization process point of view, the change of the logic (from causal to effectual) can be considered the critical event (c.f. Bell et al., 2003) that allows the acceleration of the internationalization process. The change of logic adopted to make decisions allowed a(n) (unplanned) rapid switch in the level of foreign commitment and, within three years, to (unexpectedly) evolve from locally oriented companies with passive international activities to global SMEs with FDIs on different continents. That is possible because the switch from causal to effectual logic reduces the amount of information required before acting. We summarize the above reasoning in the following proposition:

**Proposition 1.** In conditions of high uncertainty, the switch from causal to effectual logic allows rapidly increasing the level of commitment in the foreign market.

A high level of international commitment is possible with limited knowledge of the foreign market, limited international experience, and the lack of an international network because the effectuation logic helps in overcoming liability of outsidership. Existing literature suggests that a network is important because it allows overcoming the difficulties associated to the entry and operating in a foreign market (Coviello, 2006; Johanson & Vahlne, 2009). The network might represent a shortcut to obtain critical resources and knowledge about a host environment and, therefore, develop internationalization plans (Oviatt & McDougall, 2005). Previous IE literature has extensively analyzed the role of networks in the internationalization process (Jones et al., 2011), but it has mainly focused on the already existing network (e.g. Coviello, 2006). However, in the cases, instead of employing the already existing network, the entrepreneurs switched to effectual logic and developed a new network that helped in shaping the international venture. The entrepreneurs could not use the existing network because they either did not have international connections, or they did not know which pieces of information would be required (environmental isotropy). However, they also did not have developed specific objectives (goal ambiguity); the objective is continuously modified in accordance with the people met and the information collected thereby expanding the resources at disposal. That allows being highly flexible with the selection of stakeholders to integrate on the board. Entrepreneurs integrate new (unexpected) stakeholders on the board that provide unforeseen opportunities. That allows re-defining objectives and moving in the direction where the international network is being formed. This is very important because the network provides the resources necessary to overcome liability of foreignness and, thus, internationalize successfully. This leads to our second proposition:

**Proposition 2.** In conditions of goal ambiguity and environmental isotropy, the switch from causal to effectual logic allows overcoming liabilities of outsidership and, thus, successfully increasing the level of commitment in the foreign market.

## 6. Final remarks

In this paper, we investigated entrepreneurial decision-making during unplanned internationalization by adopting the effectuation theory perspective. The study contains a few limitations that may provide opportunities for future research. First, it is difficult to separate decisions related to the internationalization process from other decisions made in the company. Therefore, we suggest performing longitudinal research, i.e., observing the internationalization process at various points in time by returning to the company from time to time and personally pointing out the differences. To strengthen the study in support of this feature, future research could consider employing think aloud techniques (Ericsson & Simon, 1993), hence, constructing a scenario with the distinct problem space of internationalization in a small business.

Second, although the initial objectives of the firms varied considerably in the degree of foreign commitment, all of the firms ended entering the host country by means of equity based foreign market entry modes (i.e. establishment of production units abroad). Therefore, there is a limited variance in terms of entry modes included. Future research may wish to explore how effectuation logic can contribute by explaining other types of foreign market commitment and entry modes.

Third, organizational culture plays an important role in the decision making process in an uncertain situation. In our cases, all firms were strongly entrepreneurially oriented. The entrepreneurs are the owners of the companies, and they made all of the most important decisions regarding the internationalization process. In addition, all firms were part of the manufacturing industry and small-medium sized. Since different firms have different organizational cultures, future research should determine if our theories hold in other situations. Along the same line, future research might wish to explore in greater detail the influence of the decision makers' personal characteristics, education background, and their working experience.

Fourth, we collected data from five Italian firms expanding into central-eastern European countries. During the internationalization process, those countries experienced drastic changes. Hence, the question is whether the overall concept of effectuation is only limited to such very uncertain settings or whether it is a broader concept that applies to any internationalization. Future research should test the validity of our propositions on a wider sample and in other geographical locations.

Despite some limitations, we made several important contributions to the existing literature. By describing and characterizing the entrepreneurial decision-making during the unplanned international expansion, we enhance our knowledge regarding the internationalization process of entrepreneurial firms. Second, building on insights from effectuation theory, we develop a unique perspective to explain how the change of the logic (from causal to effectual) allows accelerating the internationalization process. Finally, our study contributes to the international network literature by developing new theory to explain how switching from causal to effectual logic helps in extending the international network and, thus, overcoming liabilities of outsidership.

Finally, we identified a number of important managerial/entrepreneurial implications. The results suggest that entrepreneurs have, at their disposal, an instrument that allows making quick and effective decisions despite time pressure and limited resources. First, by switching from causal to effectual logic when making decisions, entrepreneurs reduce the amount of

information required before acting (internationalization). In this way, they can rapidly increase the level of foreign commitment without employing extra resources. Second, if entrepreneurs in certain situations behave effectually, they extend the network and knowledge during the internationalization process itself. In this way, they overcome the liability of outsidership and, thus, produce effective internationalization.

Nevertheless, the results suggest that entrepreneurs are not fully aware of the logic they are using and unconsciously switch between causal and effectual logic. Policy makers should promote the development of tools for all entrepreneurs to teach how and when to use effectuation. More specifically, we identified three areas of intervention. First, it is necessary to explain what effectuation is and how it works. Secondly, the focus should be on the concept of affordable loss and how to deal with it from a practical point of view (e.g., how to calculate it). Finally, entrepreneurs should be able to identify conditions when it is not possible to base their decisions on the logic of cost-minimization and risk-adjusted return on investment.

## Appendix A

In the appendix, we report the main questions on which we focused during the interviews. The questions can be divided into three main groups. The first two groups are of general character. The third group contains questions that aim at exploring, in depth, the decisions and decision making during the unplanned internationalization process.

However, we did not pose the questions in a strictly predetermined order. Our intention consisted of allowing the interviewees to answer as freely as possible by limiting, thus, eventual biases induced by interviewers. The list is not to be considered exhaustive, but indicative, of main topics. In the event of necessity, additional questions were asked in order to enhance the quality of collected data.

### Background

- What is the current company's size (turnover, employees)?
- What are the company's main products/services/solutions?
- Company's history. How did it begin and develop?
- What is your educational and professional background?
- How are product development and manufacturing managed?
  - In which countries are you present?
  - How do you manage the relationships with subsidiaries?
- How are sales and marketing managed?
  - In which countries are you present?
  - How do you manage the relationships with subsidiaries?
  - Who are the company's customers, and how did you establish the first contact?

### Overview of the internationalization process

- Please describe the process of internationalization of the company.
- When and how did you begin international operations?
  - Who were the first customers and in which foreign markets?
  - How did you establish the initial contacts?
  - How did you expand your activity in the foreign market?
  - Was this expansion intentional (planned) or unintentional (something that just occurred)?
- Did you develop a business plan?
  - How detailed was the business plan?
  - To which degree did the company follow the business plan?
  - Can you describe how the business plan for internationalization was developed?

- Why did you go international?
- What is the current company's situation, and what are the plans for the future (in terms of international expansion)?

Decisions and decision-making (with a specific focus on “unplanned” internationalization)

- When you began the internationalization process, what was the original aim?
  - ... and what was the actual final outcome of the process?
- How did you perceive the foreign market environment (predictive/uncertain) at the moment of entry?
  - What was the level of knowledge of the foreign market?
  - What were company's network connections with the foreign market?
- When the level of the uncertainty in the foreign market was high, how did you proceed in decision-making?
  - To what extent was it possible to estimate the returns on investment?
  - On which elements did you base the decisions?
- At a certain moment, did you take on board more people in the foreign venture? If yes, when did happen?
  - How (and why) did it influence the internationalization process?
  - How did you initially contact with new stakeholders?
- During the internationalization process itself, did the company develop or acquire any resource and/or capability?
  - If yes, when did it happen, and what was the impact on the internationalization process?
- When having unexpected outcomes from your decisions, how did you address them?

Were you more in favor stopping and having a moment of reflection to attempt to return to the original plan, or were you more in favor of changing the original plan? Please explain the rationale of the decision.

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