The Decision-Making Process in International Business Strategies: Factors of Influence on Small and Medium Enterprises

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ABSTRACT

This paper investigates the relationship between the contextual factors related to the firm’s decision-maker and the process of international strategic decision-making. The analysis has been conducted focusing on small and medium-sized enterprises (SME). Data for the research came from 111 usable responses to a survey on a sample of SME decision-makers in international field. The results of regression analysis indicate that the context variables, both internal and external, exerted more influence on international strategic decision making process than the decision-maker personality characteristics.

Keywords: International Management, International Strategy, Internationalization, Small and Medium Size Enterprises (SMEs), Strategic Decision-Making Process, Strategic Management

INTRODUCTION

A central aspect related to the internationalization of small and medium-sized enterprises (SMEs) pertains to the strategic decision-making process (SDMP) (Jocumsen, 2004). The importance of SDMPs in international businesses is widely recognised, even if the international business literature traditionally assumes that internationalization decisions are purely rational. Indeed, the analysis of how non-rational factors affect foreign expansion decisions has been in large part neglected (Brouthers & Hennart, 2007). Moreover, most of research related to SDMPs has been tailored to large firms (Driouchi & Bennett, 2011; Nielsen & Nielsen, 2011) and few studies were focused on SMEs (Brouthers, Andriessen, & Nicolaes, 1998; Dimitratos, Petrou, Plakoyiannaki, & Johnson, 2011; Liberman-Yaconi, Hooper, & Hutchings, 2010).

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The purpose of this paper is to reverse this trend and to explore the different dimensions of SMEs' strategic decision-making process in international decisions and, within these dimensions, we want to understand if they are related to the decision-maker characteristics and also to broader contextual factors characteristics.

The paper is organized as follows. In the second section the concepts of strategic decision-making process and factors influencing international SDMP are approached. Next, the research methodology, findings analysis and discussion will be presented. Finally, conclusions, limitations of the study and suggestions for future research are explored.

THEORETICAL BACKGROUND

Strategic Decision-Making Process

The process of making strategic decisions has emerged as one of the most important themes of strategy research over the last two decades (Papadakis, 2006; Papadakis & Barwise, 2002).

According to Harrison (1996), the SMDP can be defined as a combination of the concepts of strategic gap and management decision making process, with the former “determined by comparing the organization’s inherent capabilities with the opportunities and threats in its external environment”, while the latter is composed by a set of decision-making functions logically connected, that begins with the setting of managerial objective, followed by the search for information to develop a set of alternatives, that are consecutively compared and evaluated, and selected. Afterward, the selected alternative is implemented and, finally, it is subjected to follow-up and control.

Other authors (Fredrickson, 1984; Mintzberg, Raisinghani, & Theoret, 1976) developed several models of strategic decision-making process since 1970, mainly based on the number of stages (Nooraie, 2008; Nutt, 2008).

Although different researches investigated SDMP with specific reference to either small firms (Brouthers, et al., 1998; Gibcus, Vermeulen, & Jong, 2009; Huang, 2009; Jocumsen, 2004), or internationalization process (Aharoni, Tihanyi, & Connelly, 2011; Dimitratos, et al., 2011; Nielsen & Nielsen, 2011), there is a lack of studies that examine the SDMP in both perspectives.

In this study we decided to mainly follow the SDMP defined by Harrison (1996) adapted to the international arena and particularly referred to market development decisions. Thus, for the definition of objectives (first phase) we refer to those in international field, for search for information, development and comparison of alternatives related to foreign markets (second phase) we refer to the systematic International Market Selection (IMS), and to the Entry Mode Selection (EMS) methodologies. For the implementation of the selected alternative (third phase) we mainly mean the entering in a particular foreign market with a specific entry mode, and finally, for follow-up and control (fourth phase) we refer to the control and evaluation of international activities.

Dimensions of the Strategic Decision-Making Process

Several authors attempted to implement a set of dimensions in approaching strategic process characteristics, and the most adopted are:

- Rationality;
- Formalization;
- Hierarchical Decentralization and lateral communication;
- Political Behavior.

Rationality

This dimension has a central role in the literature on strategic decision making (Elbanna, 2006; Elbanna & Child, 2007) and different authors attempted to give a definition of rationality (Langley, 1989; Schwenk, 1995). For instance, according to Hough and White (2003) “rationality is the use of information for the purpose of selecting a sensible alternative in the pursuit of
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