HOW SMALL AND MEDIUM SIZED ENTERPRISES DEAL WITH UNCERTAINTY IN INTERNATIONALIZATION PROCESSES: AN EFFECTUAL PERSPECTIVE (SUMMARY)

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Principal Topic

Although several approaches exist to explain how large firms go abroad and deal with uncertainty within the internationalization process, a lack of such theory persists for SMEs: Most internationalization models, such as the Uppsala Model, do not offer a comprehensive explanation for the specific circumstances of SMEs, since such models view internationalization as a lengthy process that develops in stages, excluding other strategic options. The question how some SMEs are able to reduce uncertainty more rapidly than others and how this is related to foreign market entry mode remains largely unanswered.

Method

This study is based on a sample of 203 internationally active SMEs that have Germany as their home market. Consistent with past research, data was gathered via a mailed survey addressed to the CEOs, assuming that they are the best source of information about internationalization projects. To minimize the impact of recall bias, I asked respondents to discuss only their most recent international engagement.

In the survey, I used established measures from the literature to operationalize the necessary variables. For effectuation as independent variables, I adapted the recently developed scale of Brettel et al. (in press) to the internationalization context. Market entry mode as dependent variable is based on Brouthers & Nakos (2004) and is divided into non-equity vs. equity modes. I operationalized the moderator variable uncertainty with the foreign market perception of the CEO and based the psychic distance construct on Sousa & Bradley (2006).

Results

We found that affordable loss internationalization projects and the extent of acknowledging the unexpected result in non-equity based entry modes. Further, we show that psychic distance weakens the effect of affordable loss on the choice of non-equity foreign market entry modes, while the relationship is strengthened for the latter one when psychic distance is considered. Moreover, our findings reveal that the influence of partnerships results in equity based entry modes and that the relationship is positively affected when psychic distance is great. Our work contributes to the international entrepreneurship literature by linking effectuation logic, foreign market entry mode choice, and psychic distance to explain entrepreneurial internationalization of SMEs.

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