TOP MANAGEMENT CAPABILITIES FOR SME'S MARKET ENTRY DECISIONS

JULIO ALCANTAR
Technology Management Staff, CIDETEQ, Queretaro, Mexico and Visiting Research Scientist, Institute for Innovation and Technology Management, Ryerson University, Toronto, Canada.
jalcantar@cideteq.mx (Corresponding)

OJELANKI NGWENYAMA
Institute for Innovation and Technology Management, Ted Rogers School of Management, Ryerson University, Toronto, Canada and Faculty of Commerce, University of Cape Town, South Africa
ojelanki@ryerson.ca (Corresponding)

ABSTRACT

New market entry decision making is important to the growth of SMEs, but research on this subject has been lacking. A better understanding of market entry decision making for SMEs is important not only for their ability to grow, but also for economic sustainability development in general. Overestimation of the dynamic capabilities of an SME in a new market can result in disaster, and underestimation can lead to missed opportunities for growth and innovation. In this article we introduce a new empirically grounded theoretical model that explains the interrelationship of three important market-entry processes/capabilities: opportunity identification, adequate resources, and previous market experience. The model was developed in a grounded theory study on seven cases of small and medium sized enterprises (SMEs) in Mexico. This article contributes to the general body of knowledge on strategic management of SMEs and specifically offers SME managers a model for strategic decision making about new market entry.

Key words: strategic decision model; new market entry; SME's; dynamic capabilities; case studies; grounded theory methodology.

INTRODUCTION

Senior managers in small and medium sized enterprises (SME's) do not seem to evaluate alternatives thoroughly or select the best option when deciding to enter new markets. Instead, as we have observed in the course of our empirical research, they appear to respond naturally as if they already knew what decisions to make based on their experience. This behaviour is intriguing because it challenges established theory and prescriptions making successful strategic decisions (Raiffa, Richardson, & Metcalfe, 2002). According to Nutt (1998, p. 1164), decision making to enter new markets should be based on a series of "analytical procedures with quantitative assessment of data from archives, pilots, simulation". However, existing models in the literature fail to provide empirical accounts of such suggested approaches to SME market entry decisions.

On one hand, there are a number of general strategic decisions models for SME´s that simply cannot explain specific market entry decisions with the level of detail required, i.e. what specific processes/capabilities come into play and how they are interrelated. On the other hand, there are specific models that explain the characteristics of the international market entry process, but which leave unresolved gaps regarding that market selection decision. The model proposed by Gibcus and Hoesel (2008), is based on a sample of 2000 SME's from eight different industry sectors, is an emblematic example of the general models. It describes three activity stages – initiation, elaboration and implementation- and two specific trigger "moments" – informal and formal decision-. A more recent example, is the model proposed by Liberman *et al.* (2010). This model describes decision making for micro firms as three stages –informing, generating options, and deliberating- and just one initiation trigger -external or internal-. A salient feature of these general strategic decision models for SME's is that they consist of fewer activities and stages than the models for large companies (Jocumsen, 2004). They are also more dependent upon management experience than those models

used by large companies (Sull & Eisenhardt, 2012). In general SME strategic decision models are simplistic and privilege the personal experience of decision makers instead of rigorous analysis, as such, they leave specific market decisions out of scope.

On the other hand, specific market entry decision models generally focus on internationalization i.e. new international market entry. For example, the model advanced by Johanson and Vahlne (1977), the so called "Uppsala" model, and its more recent "networked" version (Johanson & Vahlne, 2009) are influential examples of internationalization process models. The basic assumption of these models is that internationalization is a series of decisions in an incremental process based on two variable factors. These two factors, commitment decision and current activities drive the incremental states of internationalization process which are evidenced by its "level" of market knowledge and market commitment. Recent criticisms of "Uppsala" models hold that SME behaviour has changed since the time the model was originally developed in 1977, and that internationalization starts sooner or in different order than these models postulate. A more serious weakness of these models is that the lack important variables and mechanism concerning market entry decisions. The authors, Johanson and Vahlne, (2009, p. 1412) explain the weakness as follows; "the model does not specify the form that increased commitment might take. Indeed, commitment [i.e. decision] may decline, or even cease, if performance and prospects are not sufficiently promising."

In the light of this gap in the literature, this article seeks to develop an empirical explanation of how top management in SME's make new market entry decisions in real situations. The lack of strong theoretical model of how top management in SME's make market entry decisions and the specific processes/capabilities involved in such situations is an important problem requiring investigation. Such a model would support the development of SME's as much of the effort to improve growth, innovation and internationalization of SME's is dependent upon the market entry and expansion (Penrose, 2009; Teece, 2009). Using the grounded theory methodology we investigate the market entry decisions of seven SMEs and develop a new model for market entry decision making. The model (1) describes key processes/capabilities and characteristics that influence market entry decision making for SMEs, (2) identifies the conditions that SME managers may find favourable or unfavourable for entering a new market, and (3) provides managers of SMEs a basis for improving their decision-making capabilities about new market entry that is more reliable than existing normative models.

STRATEGIC DECISION MAKING IN SME'S

Strategic decision making (SDM) has been studied for long time. One of the initial and most influential studies was carried out by Mintzberg *et al.* (1976) on 25 cases from different sectors –government, manufacturing, services- over a time span of 5 years. Three important insights derived were: (1) strategic decisions are important, unusual, commitments to action that influence on the future of the firm; and (2) SDM is complex, dynamic and iterative process, with some delays and disconnections; (3) complexity is accentuated with uncertainty and ambiguity embedded in the environment. However, the majority of SDM literature is based on studies of large companies and only more recently SME's have been subjected to scrutiny (Xueli & Wang, 2012). But as Shuman and Seeger (1986, p. 8), argues "smaller businesses are not smaller versions of big business" as such the study of SDM in SME's is important in its own right. Shuman and Seeger (1986, p. 8), also argues that although large and small companies "deal with many of the same issues, smaller businesses also deal with unique size related issues as well, and they behave differently in their analysis of, and interaction with, their environments". This is an important insight, but even more relevant if it is considered that SDM is highly dependent on both internal and external contexts (Lioukas & Papadakis, 2003; Rajagopalan, Rasheed, & Datta, 1993). Therefore findings from large companies are often difficult to transfer to SME's, if at all, consequently is necessary to study SME's in their natural organizational settings.

Currently, the SDM literature on SME's market entry can be divided into three general perspectives, economic, behavioural and networked. The economic perspective is generally based on the theory of transaction costs, proposed in the 1930s but became widespread in the 1980's by Williamson (1981). The behavioural theory

perspective was developed by Johanson and Vahlne (1977), based on Cyert and March's (1992) behavioural theory of the firm and Penrose's (2009) theory of the growth of the firm. And the networked perspective, which is based on the theories of social exchange and interdependence, and focuses on the behaviour of the company within the inter-organizational and interpersonal relationships context (N. E. Coviello & McAuley, 1999).

Of these three perspectives, the behavioural theory, more commonly known as the stage approach is the dominant perspective in studies of new international market entry (Coviello and McAuley, 1999). But more recently new studies have integrated the behavioural theory with the networked perspective (Awuah, Gebrekidan, & Osarenkhoe, 2011). On the other hand, the economic perspective of transaction cost theory is seen as less useful for descriptive purposes, and has received much criticism for not considering the "human" side of SDM or using stylized characteristics that are difficult to find in SME's environments. Ghoshal and Moran argue (1996, p. 16) "Williamson's arguments…are not only inapplicable to most decision making situations in firms but, if so applied, are also likely to adversely affect their performance." In the context of SMEs this is even more important, as SMEs where are more reliant on the personality, experience and competences of top management (Gibcus, Vermeulen, & Jong, 2009).

Further, it has been argued that decision making for new market entry comprises three strategic decisions (Asgari, Ahmad, & Gurrib, 2010): selection (which); timing (when); and strategy (how). Koch, (2001) points out studies of market entry have focused on all three as well the individual decisions. Our study focuses on market selection decision making. As Mintzberg, et al., (1976) states, after SMEs top management select which market to enter, actual entry may take time to implement or materialize. For this reason, selection or the "commitment to enter" is viewed as an important issue worthy of intensive research. In new market entry research, the "commitment to enter" has been a useful focus for developing empirical studies of 'intention to enter' as well the actual market entry, i.e. implementation. In these studies it was found that the "intention to enter" is not just a variable that precedes the implementation, but an excellent tool to predict the future behaviour of it (Sommer, 2010). Accordingly empirical research into how top management of SMEs select new markets for entry is important for developing better processes/capabilities for SDM in SMEs. In this regard we investigate the following three research questions:

I. How top management in SME's decide to enter new markets?

II. What are the main processes involved in making these decisions?

III. How these processes interact to influence these decisions?

We are particularly interested in SME's in the information technology services industry since they are facing a fast changing environment and thus good decision making becomes critical for success (Bourgeois III & Eisenhardt, 1988; Eisenhardt, 1989; Sull & Eisenhardt, 2012). Additionally, as shown in recent studies, a considerable effort in several countries focuses in this industry as it has a great potential to grow, innovate and compete internationally (OECD, 2010).

METHODOLOGY AND RESULTS

To achieve our research objective, we selected a methodology that allows us to investigate the phenomenon of study in its real context. The explanation we pursue follows a qualitative approach using the grounded theory method (GTM). This approach is, according to Creswell (2003), appropriate for understanding phenomena that are required to keep a close relationship with their real context, such as strategic decisions (Nutt & Wilson, 2010). Moreover, GTM is appropriate to discover behavioural conditions and develop theoretical models (Glaser, 1998). Since we are interested in identifying organizational processes Glaserian GTM is appropriate (Fernández, 2005)

Data collection

Following GTM, we conducted a systematic data collection and analysis from seven case studies. These cases involved different market entry situations as indicated in Table 1. In terms of time, some decisions were taking place in the moment of research, others were past decisions. Also in terms of the "commitment to action" three decisions: 1) Government, 3) Brazil and 7) Electronics were "not to enter" decision; whereas four decisions: 2) San Francisco, 4) USA, 5) State Government, 6) Argentina were "yes, enter" decision.

Table 1: Case studies summary

Case study	Type of Market	Description	Firm's name	Time Horizon
1) "Government"	National	Entry into Government agencies market of Mexico.	Teknos	Present
2) "San Francisco"	International	Entry into San Francisco' market, California, USA	Teknos	Present
3) "Brazil"	International	Entry into Brazil Market	Datalogic	Present
4) "U.S.A"	International	Entry into USA market	Datalogic	Past
5) "Provinces"	National	Entry into Province's government market in Mexico	Datalogic	Past
6) "Argentina"	International	Entry into Argentina market	Vector	Past
7) "Electronics"	National	Entry into electronics' market industry in Mexico	Vector	Present

Different managerial roles within companies allowed a comprehensive perspective of the phenomenon (see Table 2). For each case study a group of managers who were directly involved in decisions were identified and selected.

Table 2: Participant managerial roles

Position/area	Teknos	Datalogic	Vector
General Director	1	1	1
A&F	1	1	1
Sales	1	1	1
Operations	1	2	1
R&D	1	1	1

Empirical data were derived from 17 senior managers' interviews and two group sessions; internal documents were also analysed. For interviews a semi structured format was followed with duration of 60-120 minutes. To follow conversation we use a guide and active questioning as recommended by Rubin and Rubin (1995). Each interview was recorded in digital form, prior permission of the participant, and transcribed. Respondents revised text format to verify accuracy and to supplement with additional comments. For the group sessions an

agenda of activities designed to facilitate participation was used. They had an average duration between 6 and 8 hours.

Data analysis

Following the principles of GTM, for identifying main categories in our empirical observations we used different analysis: code frequency; code distribution across cases, and code co-occurrence (see Figure 1 and Appendix A). The GT analysis revealed three main processes involved in SDM for new market entry decisions: (1) identify opportunities, (2) have adequate resources and (3) have previous experience. Each process can be arguably conceptualized as a series of sub process, activities (e.g. routines) and embedded capabilities. Identify opportunities was defined for analysis and categorization purpose as the management's perception of signals in the environment to form beliefs and expectations to achieve benefits from that market (e.g. sale, profit, strategic position). The outcome of this process is the belief that an opportunity exists - or not. Adequate resources, in similar vein, is defined as the perception based on immediate information about firm's resources but also with the experience about what is needed to enter the new market in point. It is a double operation, on the one side what is needed to enter (activities, solving potential problems, etc.) and what is possessed (physical, human, finance, etc.). The outcome of this process is the belief that the company has the adequate resources to entering the target market. Previous experience was defined as the perception of having experience or knowledge about the target market or other similar markets. The outcome of this process is the belief that the organization has previous experience on the new market. This knowledge/experience could be for previous intents to enter or past experience of a top manager (e.g. in previous jobs).

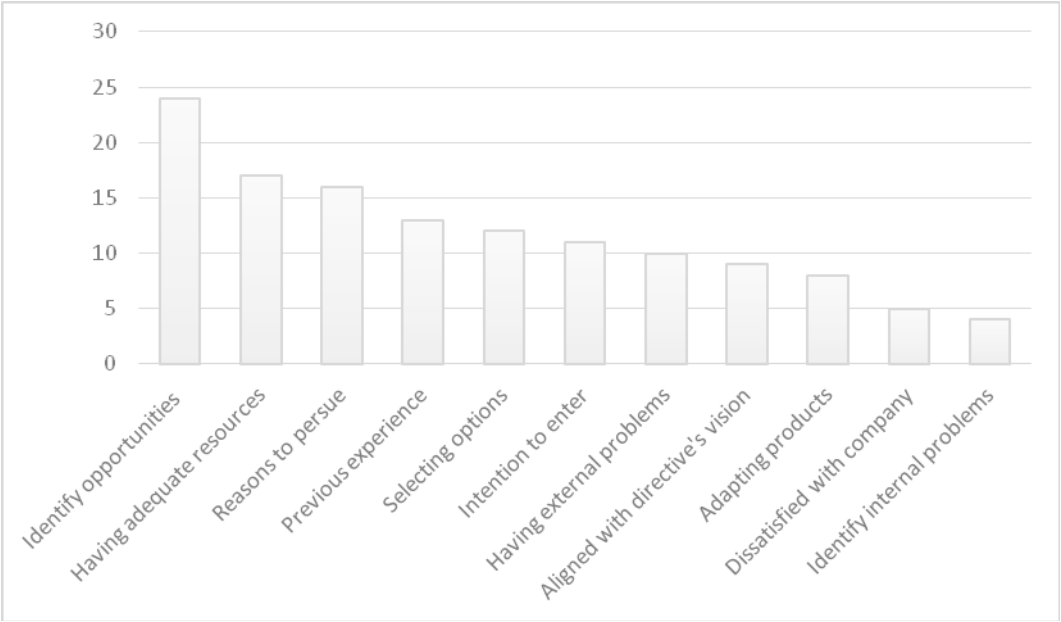

Figure 1 Main code frequency

For systematic analysis of the empirical observations every substantive code's relationship was identified, and we used decision tables to tease out and analyse the implicit rules the managers were enacting. According to Murrell and Plant (1995) the decision table "is one of the simplest representations of the rules underlying a systematic decision making process and is especially valuable in the development of knowledge-based systems". These tables enable construction and analysis of all possible combinations of conditions and actions existing in implicit rules of action. In our research, conditions are the three processes identified above and action is enter to new market (see Table 3). We systematically examined every possible combination of condition and actions by subjecting them to testing against our empirical data to corroborate or refute the proposition.

Table 3: Decision tables for theoretical propositions

Rules	Conditions			Action
	C1	**C2**	**C3**	**A1**
	identify opportunities	**adequate resources**	**previous experience**	**Enter to new market**
1	no	no	no	no
2	no	no	yes	no
3	no	yes	no	no
4	no	yes	yes	no
5	may be	no	no	no
6	maybe	no	yes	no
7	maybe	yes	no	no
8	maybe	yes	yes	yes
9	yes	no	no	no
10	yes	no	yes	no
11	yes	yes	no	yes
12	yes	yes	yes	yes

The results of this systematic analysis revealed that only four theoretical propositions were supported by the empirical evidence. These are reported Table 4 below. Interestingly, the combination of these three processes determines likelihood that the company will decide to enter the market.

Table 4: Theoretical propositions

Proposition	Description rule
P1	IF senior managers identify opportunities AND have adequate resources THEN it is likely to make the decision, even if they do not have previous experience
P2	IF senior manager have adequate resources AND have previous experience THEN it is likely to make the decision, even if they do not identify specific opportunities and only believe there exist in general
P3	IF senior manager do not have adequate resources THEN it is unlikely to make the decision even they identify opportunities and have previous experience
P4	IF senior managers do not believe there are opportunities THEN it is unlikely to make the decision even if they have adequate resources and previous experience

Figure 2 below represents a graphical representation of the decision model derived from the empirical analysis. Dotted lines are concepts out from the research scope; while signs indicate the positive (+) or negative (-) relationship between processes.

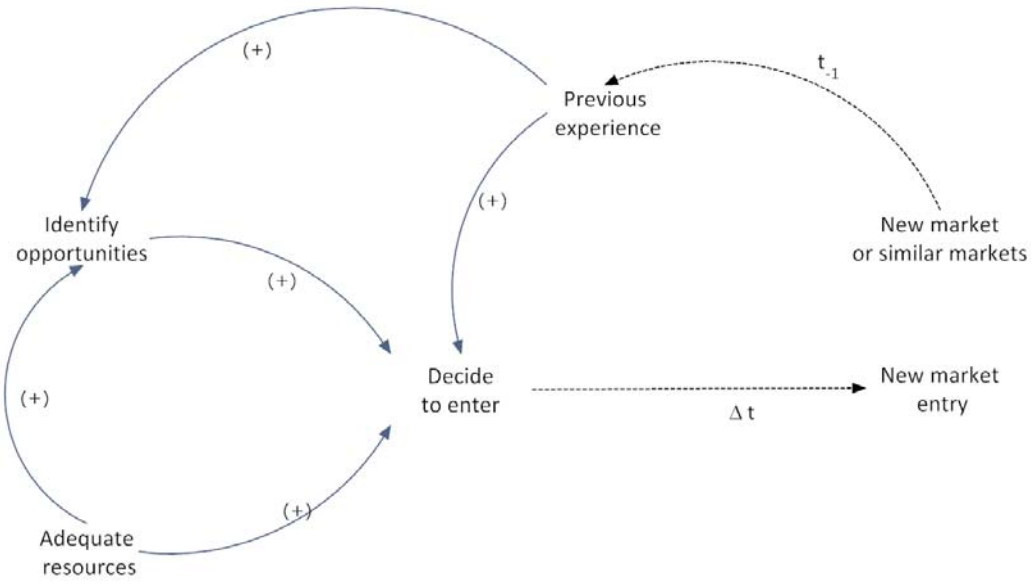

Figure 2: Theoretical model for SME's new market entry

Our empirical analysis suggests that to the extent managers perceived that they **have** *adequate resources*, **have** *identified opportunities* **and have** *prior experience*, they more likely to decide enter a new market. And, conversely, when they have weak beliefs concerning these factors, they are unlikely to decide to enter a new market. Further, our empirical evidence points to other mechanisms which can explain SDM through the interaction of the outcome of these three processes: (P1) *learning*, when they decide to enter the new market despite not having previous experience; (P2) *exploring*, when managers decide to enter despite not clearly market opportunities identified; and (P3 and P4) *waiting*, when they decide not to enter either for lack of adequate resources or opportunities.

THEORETICAL DISCUSSION

Our empirical study demonstrates that in making decisions to enter new markets, SMEs rely on three main processes related with top management capability to interpret different situations, both in the environment and internally (Daft & Weick, 1984). These main processes are: *identify opportunities*; have *adequate resources*; and have *previous experience*. The main outcome of these processes is the formation of beliefs to act, or commit resources. Our model resembles, in this sense, the logic of action based on rules more than in alternatives, noted by March (1991, pp. 104-105). In this case, top management try to match external situations in the entry market and internal organizational capabilities, following rules that have to do with the meaning which top management gives to "entering new market". Most of these rules are based on top management experience but also, to a lesser extent, on a flexible organizational structure of SME's (Xueli & Wang, 2012). Experience is important because according to Klein (1997, p. 341) it "enables decision makers to identify reasonable courses of action as the first ones considered so that the burden of difficulty is on assessing the nature of the situation rather than on comparing alternative courses of action." And this is most important, if we consider that SME's are particularly dependent on top management experience (Gibcus & Hoesel, 2008).

We will now turn attention to discussing two aspects of our contributions: (1) an assessment of each process identified in our model with similar or contrasting concepts in the literature; and (2) the elaboration of our theoretical propositions with findings from other research.

Main processes identified

Identify opportunities

As part of their daily activities, the SME top management team continuously observe various events and situations in the environment and inside the organization. In a study conducted by Jackson and Dutton (1988), opportunities were characterized as “important issues” with positive connotation and associated with management’s perception of control and expectations of benefits. Seeking opportunities is an activity that managers always conduct before deciding to enter new markets. As Penrose (2009, p. 31) points out, in relation to market expansion decisions, "the decision to search for opportunities is an enterprising decision requiring entrepreneurial intuition and imagination and must precede the ‘economic’ decision to go ahead with the examination of opportunities for expansion.” Thus, the process of identifying an opportunity is defined by Grégoire, Barr, and Shepherd (2010, p. 415) “as efforts to make sense of signals of change to form beliefs regarding whether or not enacting a course of action to address this change... The outcome of this process lies in those subjective ex ante beliefs that an opportunity exists—or not—for the willing and able”. However, these signals are often ambiguous and therefore require the manager’s interpretation (Dutton, Fahey, & Narayanan, 1983). In this regard, opportunities are not “objective” events that "happen there in the market", but what entrepreneurs believe about the market conditions. That is, the interpretations are the immediate determinants of a firm’s behaviour rather than objective facts. This is part of Pfeffer and Salancik (2003) argument about "the enacted environment" upon which managers make decisions.

In the work of Baron (2006) three relevant factors are identified for identifying opportunities: 1) engage in an “active search” for opportunities; 2) “be alert” to opportunities as they emerge; and 3) “foreknowledge” of market, industry or clients. Baron (2006) argues that the SME’s entrepreneurs tend to be more involved in an “active search” than managers or employees. And found that entrepreneurs were more likely to actively seek information through contacts than in magazines, newspapers or market reports. Alertness then is a key orientation of the SME entrepreneur that has to do with a preparation to recognize opportunities when they arise. This suggests that some managers can identify opportunities even when they are not specifically searching for them. This capability is called “passive search”, which seems to rely on the individuals cognitive abilities. It is also important to note here that search capabilities are also embedded in relevant organizational routines and processes which might facilitate or inhibit to identify opportunities (Teece, 2009, pp. 9-17). In this sense, identify opportunities, in our model, are considered processes with embedded capabilities. Further, evidence from the literature indicates that prior knowledge, gained through business experience, can be very important for recognizing potential opportunities (Shane, 2000). In particular, top management prior knowledge is relevant not only for the target market but also for comparisons between other similar markets (Smith, Matthews, & Schenkel, 2009).

Have adequate resources

Managers must form beliefs about how easy or difficult it would be to enter the new market. This involves two tasks that may or may not be developed simultaneously. The first task is to observe and imagine all the activities required to enter a new market, especially the obstacles or problems they might face, such as: making products adaptations to meet customer preferences, finding new business partners, receiving an unfavourable response from market, or competitors (Gilad, 2004). The second task involves identifying and estimating the resources needed to carry out the first task. These include financial, human and skills, among others. The company may also have external resources. Particularly relevant are those having to do with relationships and key contacts, such as customers and partners. According to Johanson and Vahlne (2009, p. 1414), “it takes time and managerial effort to create working relationships, and many attempts fail. Thus a working relationship is the result of considerable investment, and is an important firm resource. While there may be some formal aspects, developing relationships is essentially an informal process.” These authors also

argue that such relationships are socially constructed and intentions, expectations and interpretations are important to develop these network resources.

Although the task of imagining activities and estimate resources are not always separated in practice, what evidence suggests is that managers discuss if they have the resources or not. This discussion might be implicit, even if sometimes is accompanied by analysis instruments, as charts and tables. In our study managers deliberations seem to follow what is known in the literature as “mental simulation”. This consists in, according to Klein (1999, p. 45) "the ability to imagine people and objects consciously and transform those people and objects through several transitions, finally picturing them in a different way than at start". From this perspective, a manager’s ability to imagine possibilities is dependent on experience. Using mental simulation experienced managers are able to imagine several steps forward in the process of market entry. If managers believe they already have or can get resources to address those activities and obstacles, then adequate resources are determined. This determination seems to influence considerably on the decision to enter or not.

Previous experience

Previous experience, according to Shane (2000), can contain three different dimensions of prior knowledge: 1) the market; 2) ways in which it serves market; and 3) customers problems. Previous experience may also have been generated by activities carried out in previous attempts to enter the new market or other similar markets. It could even have developed during a market re-entry process. Also previous experience may come from individual manager’s experiences on previous jobs or interaction with alliance partners or other key contacts (Javalgi, Deligonul, Dixit, & Cavusgil, 2011).

Previous experience seems to positively influence the intention to enter a new market and to identifying opportunities. The reason is that managers can be more confident to replicate some of those previous experiences or be able to identify better potential market opportunities. This is consistent with other authors in international markets and prior knowledge research as Oviatt and McDougall (2005) or Shane (2000). Similarly Kontinen and Ojala (2011) found a positive effect between prior experience and identifying opportunities and decisions to enter new markets

Comparison with other models

An important question now is to what extent our model can explain situations that other models cannot? To answer this, we illustrate with a comparative analysis of one of our cases using the most relevant theoretical models found in the literature: the transaction costs, behavioural or stage approach and the network model. For this comparative analysis we used the San Francisco market entry case (Case 2 in Table 1 above). In this case top management decided to enter the San Francisco market because they perceived their company as having adequate resources and previous experience. However, they had not identified specific opportunities; they had only the belief that there were opportunities in the market. This decision can be explained in our model with theoretical proposition P2 through the mechanism called “explore”, while the other three models cannot render a meaningful explanation of this decision.

Transaction Cost Model

Transaction cost model could not explain this case. First of all, there were no alternatives for a comparative analysis as required by the TC model. And while it is common practice in economics to create an alternative of not enter this is not an empirically observed condition in this case. TC would explain this by arguing that transaction cost (TC) for entering is smaller than for not entering! But what is the real TC in either case? Costs considers did not enter the decision and the company did not have any slack resources. However, top management took advantage of a serendipitous situation when a manager left the company and returned home to U.S. Secondly, the related costs of not entering this market, e.g. opportunity lost, was not considered since they actually entered the market without any specific committed opportunity. Even if it is argued that,

although impossible to quantify, the company could have estimated 'expected future benefits', the circumstances were in favour of staying in their domestic market rather than entering the San Francisco market since they were facing seeming impossible conditions: 1) slower growth that can be achieved in a more mature market such as the U.S.; and 2) higher competition in Silicon Valley. None of these conditions could favour the decision to go to San Francisco. Consequently, the decision to enter is beyond that which can be explained by the "bounded rationality" logic implied in the TC model. The only transaction cost in this comparison is the time cost that managers engaged in deliberating about this initiative. However, this type of cost is the lowest since it is very flexible (not dedicated) (Madhok, 1997). Therefore TC model cannot answer why or how the managers decided market entry in this case.

The Staged Approach

If we tried to explain why these SME managers entered to San Francisco using the stages model, the answer would be: because among alternatives San Francisco is the option with less "cultural distance" or "psychic distance". By this we mean, San Francisco is culturally very similar to Mexico! If we intend to explain, using the factors that are introduced in the most recent version of the stage model, we would say, citing the authors, that they entered because they find "performance and prospects...sufficiently promising" (Johanson & Vahlne, 2009, p. 1412). But this is not the case, since they entered without identify any specific opportunity, therefore no prospects were identified. Clearly this explanation is not convincing because, in such a case, a Mexican SME's would have greater "cultural" similarities with other Latin American countries -derived from language, historic and cultural roots, idiosyncrasy for doing business, and so on.

The Network Model

Finally, if the network model would explain this decision, the answer would be: that this company has a "network of contacts". In our case, this is partially true, but in this sense this is a partial explanation because if we introduce the second factor this model uses, "having an opportunity" the explanation is incomplete since as we mentioned in this case the company entered in spite of the fact no opportunities were identified. They entered to explore.

To some extent the new model that we propose integrates and solves the debate between the stage approach and network model. First it argues that "cultural distance" is the decisive factor for the selection of the market; and second, by contrast, identifies "network resources" as the decisive factor in the decision. As we have discussed here, it is not one or the other but the combination of different processes that could explain more adequately the decision. That is, the model we propose here extends our theoretical understanding of how managers make decisions and reconciles the discussion of these factors in the extant literature (Bell, 1995; N. Coviello & Munro, 1997; Johanson & Vahlne, 2009).

The comparisons made in this discussion enable an assessment of the explanatory power of our proposed model, while not to diminishing, in any way, the contributions and progress made by the other models. On the contrary, importance and usefulness of the other models was indicated in the development of the theoretical model we propose. Furthermore, any model is only a representation of reality and involves, according to Daft and Weick (1984), trade-offs and inevitable weaknesses. A limitation of our model can be seen in the assumption by Thorngate (1976), who states that "a model cannot be simultaneously general, accurate and simple. You can have two of these features, but only at the expense of the third" (cf. page 294). In this sense we do not claim generality of our new model to all SME's and only to the cases analysed. However, this limitation is not significant as it is always possible to extend validity in other types of business. Such verification or refutation would result from further research that uses this model as a framework for future empirical investigations of the subject matter.

Potential use and application

Much of the effort for guiding the improvement of managerial decisions has used normative decision models (Klein, 1997). Those models are based on how decisions should be taken, and propose to modify the behaviour of managers towards those norms. According to Russo and Schoemaker (2002, p. XV), this has been one of the reasons why these efforts have not been of much help in improving decision making. Moreover, in some other efforts, models derived from large companies have been used, but studies have found that these models are not easily adaptable to SME's contexts, if at all (Shuman & Seeger, 1986, p. 8). For these reasons, our model of market entry decision making in SMEs is a relevant research contribution not only for theoretical purposes but also for practical applications. The empirical validity of our model built from the perspective of senior manager and grounded in their real-world environments makes it a more reliable guide for practicing managers. Although there are several application scenarios, two of the most recurrent challenges that technology services SMEs face in which our model can assist include 1) low levels of international market entry, and 2) the hasty entry into new adjacent markets (Secretaría de Economía, 2008). Both scenarios produce serious problems and while some efforts have been made to improve them, these efforts are based on a poor understanding of how managers make decisions, and suggest using normative rational models. Our model offers a viable alternative for analysing understanding the real situations and identifying specific conditions that inhibit decision making in the first scenario (P3 and P4 propositions), and accelerates decisions in the second scenario (P1 and P2 propositions).

In general there are three main beneficiaries of this research: (1) researchers on the subject; (2) SME's policy makers; and (3) SME top managers. Researchers on the subject will benefit from a new understanding of the phenomenon and a specific SMEs model to be used as theoretical framework in other research settings. SME policy makers can also benefit from a new (bottom up) approach to the problem that offers more reliable guidance for improving decision making that better reflects real situations faced by small firms. And a specific model consisting of well developed factors and rules (propositions) and characteristics that enable operationalization in SME policy. Finally, SME managers can be benefited from being more aware of decision making flaws under different market entry scenarios and improve them consequently.

CONCLUSION

In this paper we presented an empirically based model to help top management in SMEs make decisions about entering new markets. Unlike other models, the model developed in this work not only raises the criterion of when they decide to enter i.e. conditions under which it is likely to decide to enter, but also identifies conditions under which it is unlikely to decide to enter. Clearly both set of conditions are not just the "negation" of the other, but other combination of processes outcomes. Also as we compared the proposed model with the most relevant models for market entry decisions and illustrated that it exhibits greater explanation power, part of which derives from the combination of the factors (processes) identified. Our model is useful for guiding and improving SDM and our concepts are "closer" to managers because they were derived from manager's perspective. As Klein (1999), argues the key concepts used in decision models, such as "cultural distance", "transaction cost", "position in the network" are not easily embraced by practicing managers. The concepts developed in our model: "identify opportunities"; "adequate resources" or "previous experience" are empirical concepts from the managers domain.

Research reported in this paper also achieves a methodological contribution. This refers to the use of "decision tables" as a systematic mechanism analysis and evaluation of the theoretical propositions in GTM. Decision tables are not a new tool; since the mid-1950 they have been used in the design of logic systems, operating and maintenance operations (Milner, 1977). However, the application in this research is novel because, as far as we know, in the GTM literature there are no robust techniques to assist in the systematic analysis of theoretical propositions (Fernández, 2005; Glaser, 2005, 2008). The advantages of using decision tables for this purpose are twofold: First it enabled a systematic analysis and evaluation of theoretical propositions that were

identified in empirical evidence. The second is that it enables the researcher to conduct a complete and comprehensive analysis all possible factor conditions and actions in the problem space.

APPENDIX A

Main code across cases

Main codes	Government	San Francisco	Brazil	U.S.A	Provinces	Argentina	Electronics
Identify opportunities							
Having adequate resources							
Previous experience							
Reasons to pursue							
Selecting options							
Intention to enter							
Having external problems							
Aligned with directive's vision							
Adapting products							
Dissatisfied with company							
Identify internal problems							

REFERENCES

Asgari, M., Ahmad, S. Z., & Gurrib, M. I. (2010). Explaning the internationalization process of Malaysian service firms. *International Journal of Trade, Economics and Finance, 1*(1), 68-73.

Awuah, G. B., Gebrekidan, D. A., & Osarenkhoe, A. (2011). Interactive (networked) internationalization: the case of Swedish firms. *European Journal of Marketing, 45*(7/8), 1112-1129.

Baron, R. A. (2006). Opportunity recognition as pattern recognition: How entrepreneurs connect the dots to identify new business opportunities. *Academy of Magement Perspectives, 20*(1), 104-119.

Bell, J. (1995). The internationalization of small computer software firms: a further challenge to stage theories. *European Journal of Marketing, 29*(8), 60-75.

Bourgeois III, L. J., & Eisenhardt, K. M. (1988). Strategic Decision Processes in High Velocity Environments: Four Cases in the Microcomputer Industry. *Management Science, 34*(7), 816-835.

Coviello, N., & Munro, H. (1997). Network Relationships and the Internationalisation Process of Small Software Firms. *International Business Review, 6*(4), 361-386.

Coviello, N. E., & McAuley, A. (1999). Internationalisation and the smaller firm: A review of contemporary empirical research. *Management International Review, 39*(3), 223-256.

Creswell, J. W. (2003). *Research design: qualitative, quantitative and mixed methods approaches* (2 ed.): Sage Publications.

Cyert, R. M., & March, J. G. (1992). *A Behavioral Theory of the Firm* (2 ed.): Blackwell Publishers Ltd. (fisrt edition published in 1963).

Daft, R. L., & Weick, K. E. (1984). Toward a model of organizations as interpretation systems. *Academy of Management Review, 9*(2), 284-295.

Dutton, J. E., Fahey, L., & Narayanan, V. K. (1983). Toward understanding strategic issue diagnosis. *Strategic Management Journal, 4*(4), 307-323.

Eisenhardt, K. M. (1989). Making fast strategic decisions in high-velocity environments. *Academy of Management Journal, 32*(3), 543-576.

Fernández, W. D. (2005). The grounded theory method and case study data in IS research: issues and design. In D. N. Hart & S. D. Gregor (Eds.), *Information systems foundations: Constructing and criticising* (pp. 43-59). Canberra, Australia: ANUE press.

Ghoshal, S., & Moran, P. (1996). Bad for practice: A critique of the transaction cost theory. *Academy of Management Review, 21*(1), 13-47. doi: 10.5465/AMR.1996.9602161563

Gibcus, P., & Hoesel, P. v. (2008). Strategic decision-making processes in SMEs: an exploratory study. In P. A. M. Vermeulen & P. L. Curseu (Eds.), *Entrepreneurial Strategic Decision-making: A cognitive perspective* (pp. 89-104): Edward Elgar Publishing.

Gibcus, P., Vermeulen, P. A. M., & Jong, J. P. J. d. (2009). Strategic decision making in small firms: a taxonomy of small business owners. *International Journal of Entrepreneurship and Small Business, 7*(1), 74-91.

Gilad, B. (2004). *Early Warning: Using Competitive Intelligence to Anticipate Market Shifts, Control Risk, and Create Powerful Strategies*: Amacom.

Glaser, B. G. (1998). *Doing Grounded Theory: issues and discusions* (1 ed.): Sociology Press.

Glaser, B. G. (2005). *The Grounded Theory perspective III: Theoretical coding* (1st ed.).

Glaser, B. G. (2008). *Doing Quantitative Grounded Theory* (1 ed.): Sociology Press.

Grégoire, D. A., Barr, P. S., & Shepherd, D. A. (2010). Cognitive Processes of Opportunity Recognition: The Role of Structural Alignment. *Organization Science, 21*(2), 413-431. doi: 10.1287/orsc.1090.0462

Jackson, S. E., & Dutton, J. E. (1988). Discerning Threats and Opportunities. *Administrative Science Quarterly, 33*(3), 370-387.

Javalgi, R. G., Deligonul, S., Dixit, A., & Cavusgil, S. T. (2011). International Market Reentry: A Review and Research Framework. *International Business Review, 20*(4), 377-393. doi: 10.1016/j.ibusrev.2010.08.001

Jocumsen, G. (2004). How do small business managers make strategic marketing decisions?: A model of process. *European Journal of Marketing, 38*(5/6), 659-674.

Johanson, J., & Vahlne, J.-E. (1977). The Internationalization process of the Firm: A model of Knowledge development and increasing foreign market commitments. *Journal of International Business Studies, 8*(1), 25-34.

Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies, 40*, 1411-1431.

Klein, G. (1997). Developing expertise in decision making. *Thinking and Reasoning, 3*(4), 337-352.

Klein, G. (1999). *Sources of Power: How people make decisions* (2 ed.): The MIT Press.

Koch, A. J. (2001). Selecting overseas markets and entry modes: two decision processes or one? *Marketing Intelligence & Planning, 19*(1), 65-75.

Kontinen, T., & Ojala, A. (2011). International opportunity recognition among small and medium family firms. *Journal of Small Business Management, 49*(3), 490-514.

Liberman-Yaconi, L., Hoper, T., & Hutchings, K. (2010). Toward a model of understanding strategic decision-making in micro-firms: Exploring the Australian Information Technology sector. *Journal of Small Business Management, 48*(1), 70-95.

Lioukas, C. S., & Papadakis, V. M. (2003). Strategic decision processes and outcomes effects of context. *Academy of Management*.

Madhok, A. (1997). Cost, value and foreign market entry mode: The transaction and the firm. *Strategic Management Journal, 18*(1), 39-61.

March, J. G. (1991). How Decisions Happen in Organizations. *Human-Computer Interaction, 6*(2), 95.

Milner, D. A. (1977). The use of decision table logic in a manufacturing system. *International Journal of Production Research, 15*(1), 17.

Mintzberg, H., Raisinghani, D., & Theoret, A. (1976). The structure of unstructured decision processes. *Administrative Science Quarterly, 21*(June), 246-275.

Murrell, S., & Plant, R. (1995). Decision Tables: Formalisation, Validation, and Verification. *Software Testing: Verification & Reliability, 5*(2), 107-132.

Nutt, P. C. (1998). How Decision Makers Evaluate Alternatives and the Influence of Complexity. *Management Science, 44*(8), 1148-1166.

Nutt, P. C., & Wilson, D. C. (2010). Crucial trends and issues in strategic decision making. In P. C. Nutt & D. C. Wilson (Eds.), *Handbook of decision making* (pp. 3-29). Great Britain: Wiley-Blackwell.

OECD. (2010). *SMEs Entrepreneurship and Innovation*. Paris: OECD Publishing.

Oviatt, B. M., & McDougall, P. P. (2005). Defining International Entrepreneurship and Modeling the Speed of Internationalization. *Entrepreneurship: Theory & Practice, 29*(5), 537-553.

Penrose, E. (2009). *The theory of the growth of the firm* (4th ed.): Oxford University Press.

Pfeffer, J., & Salancik, G. R. (2003). *The external control of organizations: A resource dependence perspective* (Classic ed.): Stanford University Press.

Raiffa, H., Richardson, J., & Metcalfe, D. (2002). *Negotiation analysis : the science and art of collaborative decision making*. Cambridge, Mass.: Belknap Press of Harvard University Press.

Rajagopalan, N., Rasheed, A. M. A., & Datta, D. K. (1993). Strategic decision processes: Critical review and future directions. *Journal of Management, 19*(2), 349-384.

Rubin, H. J., & Rubin, I. S. (1995). *Qualitative Interviewing: The Art of Hearing Data*: Sage Publications.

Russo, J. E., & Schoemaker, P. J. H. (2002). *Winning Decisions*: Currency DoubleDay.

Secretaría de Economía. (2008). Prosoft 2.0: Programa de Desarrollo del Sector de Servicios de Tecnologías de Información. In Subsecretaría de Industria y Comercio (Ed.), (pp. 1-65). México: Secretaría de Economía.

Shane, S. (2000). Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science, 11*(4), 448-469.

Shuman, J. C., & Seeger, J. A. (1986). The Theory and Practice of Strategic Management in Smaller Rapid Growth Firms. *American Journal of Small Business, 11*(1), 7-18.

Smith, B. R., Matthews, C. H., & Schenkel, M. T. (2009). Differences in Entrepreneurial opportunities: The role of tacitness and codification in opportunity identification. *Journal of Small Business Management, 47*(1), 38-57.

Sommer, L. (2010). Internationalization process of small and medium-sized enterprises: a matter of attitude? *Journal of International Entrepreneurship, 8*(3), 288-317.

Sull, D., & Eisenhardt, K. M. (2012). Simple rules for a complex world (cover story). *Harvard Business Review, 90*(9), 68-74.

Teece, D. J. (2009). *Dynamic Capabilities & Strategic Management: Organizing for innovation and growth* (1 ed.): Oxford University Press.

Thorngate, W. (1976). General vs. it all depends: Some comments on the Gergen-Schlenker debate. *Personality and Social Psychology Bulletin, 2*(1), 404-410.

Williamson, O. E. (1981). The economics of organizations: The trasnaction cost approach. *American Journal of Sociology, 87*(3), 548-577.

Xueli, H., & Wang, C. (2012). Strategic decision-making in small and medium-sized enterprises: Evidence from Autralia. *International Journal of Business Studies, 19*(2), 91-110.