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The internationalization process of SMEs: A muddling-through process ☆

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ABSTRACT

Examining the explanatory power of Lindblom's muddling-through concept, the paper contributes to the literature on SMEs' internationalization processes by exploring the underlying rationality of decisions made. The conducted case study shows that whereas several of the studied firm's decision processes during its internationalization process reveal a high degree of congruence with Lindblom's muddling-through approach, others are similar to a root process, or hybrids of the two logics. Over time, decision-makers increasingly behave as rational-comprehensive decision-makers. This paper suggests that the driving forces for this change from muddling-through to rational decision-making are increased experience, increased knowledge and, not least, less goal ambiguity, all of which reduce the limitations in intellectual capacity and lack of knowledge, either through a learning process by managers in the firm or through the arrival of new managers with such experience and knowledge.

1. Introduction

Small and medium sized enterprises (SMEs) increasingly internationalize their activities (e.g., Coviello and McAuley, 1999; Ruzzier et al., 2006). Not surprisingly, SMEs' "[…] process of increasing involvement in international markets" (Welch and Luostarinen, 1988, p. 36) has led to substantial research. Studies on how SMEs—not least among them high-tech niche companies—internationalize challenge previously dominant incremental perspectives in explaining firms' internationalization processes (e.g., Johanson and Vahlne, 1977) and have resulted in a variety of new research streams, such as the literature on born globals (e.g., Knight and Cavusgil, 1996), international new ventures (e.g., Oviatt and McDougall, 1994), and international entrepreneurship (McDougall and Oviatt, 2000).

In the born global and the international new venture literature, studies predominately focus on the distinctiveness of SMEs' internationalization processes, such as their early and rapid international expansions (e.g., Autio et al., 2000; Bell et al., 2003; Crick and Jones, 2000), their extensive use of networks (e.g., Lu and Beamish, 2001), and their concurrent expansion in domestic and international markets (e.g., Coviello and Munro, 1997). A common explanation for these characteristics is SMEs' lack of resources and experiences (e.g., Lu and Beamish, 2001) and their focus on global niche markets (e.g., Knight, 2001). Studies within the field of international entrepreneurship further emphasize the importance of the decision-makers and show that decision-makers' attitudes toward internationalization (e.g., Oviatt and McDougall, 1994), as well as their ability to discover, evaluate and exploit business opportunities across national borders (e.g., Oviatt and McDougall, 2005), impact SMEs' internationalization patterns. The impact of other managerial cognitions, such as risk perception, tolerance for ambiguity, resistance to change and self-confidence, has also been shown to affect the decision-making process and thereby the nature of the internationalization process (e.g., Acedo and Jones, 2007; Halikias and Panayotopoulou, 2003).

There is a paucity of discussion on the underlying overall mental models used by decision-makers (cf. Zahra et al. (2005)). With the exception of Chandra et al. (2009)—who use the concept of effectuation developed by Sarasvathy (2001) to argue that decision-makers in SMEs, especially during the early phases of the internationalization process, focus on affordable loss, act opportunistically, and follow feelings and emotions rather than rational calculations—a lack of research that discusses the logic employed by decision-makers exists.

Employing a case-study approach, the purpose of this paper is to contribute to the literature on SMEs' internationalization processes by emphasizing the underlying rationality of the decisions they make. The paper draws on the thoughts of Lindblom (1959, 1979) who in his two seminal papers introduces a successive limited comparison approach—often referred to as "muddling through"—in describing the underlying rationality of public administrators' decision-making processes. Three motivations have inspired the choice to examine the explanatory power of Lindblom's muddling-through approach in the context of SMEs' internationalization processes. First, the discussion by Lindblom (1959), in which he compares the rational comprehensive approach with the muddling-through approach, is reminiscent of

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the current dichotomy in the literature on SMEs' internationalization processes. Whereas some studies describe SMEs' internationalization as the result of leveraged contingencies—that is, serendipity affects the exploitation of unexpected discoveries (e.g., Agndal and Chetty, 2007; Coviello and Martin, 1999; Ellis and Pecotich, 2001), other researchers emphasize the use of strategic decision-making models, competitive market analysis, and return on investment analysis (e.g., Crick and Spence, 2005). Second, similar to the context faced by policy-makers (Lindblom, 1959), SMEs' decision-makers cope with a high degree of uncertainty and goal ambiguity during the internationalization process (Acedo and Jones, 2007; Chandra et al., 2009). Third, the muddling-through approach has proven valuable in areas other than in its original context, such as after-sale service (Zackariasson and Wilson, 2004), buyer behavior under conditions of uncertainty (Andersson and Wilson, 2006), and disruptions of projects (Hällgren and Wilson, 2007).

In sum, the overall purpose of this paper is to contribute to the literature on SMEs' internationalization processes by exploring the underlying rationality of decisions made, but its specific aim is to examine the explanatory power of Lindblom's muddling-through concept in the context of decision-making during SME internationalization. By employing a hitherto neglected theoretical framework on rationality in the SME context, the study contributes to the literature on SMEs' internationalization in general and to studies on decision-making during this process in particular, and offers the opportunity to develop the concept of muddling-through (Lindblom, 1959, 1979) further by placing the approach into a new empirical research context.

The following paragraphs provide a brief review of the writings of Lindblom and others on the muddling-through approach. Following is a discussion on the research approach and a presentation of the case studied (the internationalization process of Q-Sense), in which the primary focus is on various important decisions Q-Sense made during its internationalization process. Next are reflections on the congruence between the decisions Q-Sense made during its internationalization process and Lindblom's muddling-through process. Finally, these reflections constitute the basis for a discussion of implications for the literature on SMEs' internationalization and for Lindblom's concept of muddling-through.

2. Lindblom's concept of muddling through

In his seminal paper, Lindblom (1959) discusses administrators' policy-related decision-making processes and questions the rational-comprehensive (root) process academics and practitioners generally considered at that time to be the ideal approach to decision-making. According to Lindblom (1959), the rational process assumes that clearly defined values and/or objectives exist, so policy formulation is approached through means–end analyses. In other words, decision-makers first define the desired goals and then identify the necessary means to reach them. Thus, "the test of a good policy is that it can be shown to be the most appropriate means to desired ends" (Lindblom, 1959, p. 81). Finally, the rational-comprehensive decision-making approach undertakes a comprehensive analysis, relying heavily on existing theories and taking every important relevant factor into account. Drawing on empirical anecdotes, Lindblom (1959) argues that such a root approach has little to do with how policy-makers make decisions in reality. In response to this discrepancy, Lindblom (1959) develops and proposes an alternative approach eventually known as the muddling-through approach, but which Lindblom (1959) labels the method of successive limited comparisons.

Lindblom (1959) argues that the contexts in which decisions need to be made are often complex and may include different or even conflicting goals and views of various stakeholders, all of which make clarification of values and goals difficult or even impossible. Hence, "by the impossibility of doing otherwise, administrators often are reduced to deciding policy without clarifying objectives first" (Lindblom, 1959, p. 82). What is more, the selection or evaluation of goals and the empirical analysis of the needed action are not distinct from one another but are closely intertwined, so means–end analysis is often inappropriate or limited. Similarly, since a decision-maker without the benefits of established values or objectives by which to judge his or her decision cannot know whether he or she has made a wise or foolish decision, Lindblom (1959) states that the test of a good policy is typically that various analysts find themselves in agreement on it, without necessarily agreeing that the policy is the most appropriate means to an agreed objective. Lindblom (1959) further argues that, because of the limits on human intellectual capacity and limited available information, analysis that precedes decision-making is also significantly limited. Consequently, decision-makers neglect important possible outcomes, alternative potential policies, and affected values. Finally, Lindblom (1959: 86) observes that "policy is not made once and for all; it is made and re-made endlessly. Policy-making is a process of successive approximation to some desired objectives in which what is desired itself continues to change under reconsideration." Such a succession of comparisons greatly reduces or eliminates reliance on theory.

In his 1979 article, Lindblom draws on his paper written jointly with Hirschman and Lindblom (1962) in a continued discussion of his decision-making approach, but now labeling it "disjointed incrementalism". Lindblom (1979, p. 517) defines the elements of a disjointed incremental analysis as: (1) limitation of analysis to a few somewhat familiar policy alternatives, (2) an intertwining of analysis of policy goals and other values with the empirical aspects of the problem, (3) a greater analytical preoccupation with ills to be remedied than with positive goals to be sought, (4) a sequence of trials, errors, and revised trials, (5) analysis that explores only some of the important possible consequences of a considered alternative, and (6) fragmentation of analytical work to many (partisan) participants in policy-making.

Of course, decisions made during a SME's internationalization process are not necessarily policy decisions (cf. Hällgren and Wilson, 2007), so Table 1 formulates Lindblom's main thoughts in more general terms, resulting in 13 characteristics of "Lindblomian" decision-making.

3. Methodology

Since the specific aim of this paper is to examine the explanatory power of Lindblom's muddling-through concept in the context of decision-making during an SME's internationalization, this study, following Yin (1994), employs an embedded case study approach. In particular, the case study approach's ability to retain a holistic

Table 1
Lindblomian characteristics (LC) of decision making.

LC1	Problems to be solved are clusters of interlocking problems with interdependent solutions.
LC2	Solutions chosen are conciliations for the diverse sources of the interlocking problems.
LC3	Due to the complexity of the context in which the decision needs to be made, goals and values are ambiguous or unknown.
LC4	Various stakeholders might have different or conflicting views on the goals to be achieved.
LC5	Decisions are made without clearly pre-identified objectives.
LC6	Selection/evaluation of goals and actions taken are closely intertwined.
LC7	A good decision is a decision that stakeholders can agree upon.
LC8	Due to limits on human intellectual capacities and on available information, analysis preceding decision making is limited.
LC9	Important possible outcomes, alternative potential decisions, as well as affected values are neglected.
LC10	The decision making process is a trial and error process.
LC11	Reliance on analysis (based on theory) is reduced or eliminated.
LC12	A greater analytical preoccupation with ills to be remedied than positive goals to be sought.
LC13	Fragmentation of analytical work to many participants in decision making.