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Not Too Scared to Enter: Understanding the Uppsala Model's Complexity as SME Decision Makers Enter High-Risk Countries

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Abstract

Johanson and Vahlne's Uppsala internationalization model is a framework for understanding sequential internationalization, experiential learning, and the commitment decision processes designed to answer the question: "Why and how do firms internationalize?" Each potential market is distinctive due to dissimilar languages, cultures, religions, ethics, political systems, laws, business norms, etc. – all these perceptual differences, which can potentially block the free flow of information between markets, are called "psychic distance." By completing 34 detailed, semi-structured interviews with executives who have recently made significant financial or resource commitments to enter 28 different challenging countries, this is the first study to focus with a deep "emic" insider's perspective into the ways American SME decision makers utilize the Uppsala model's state and change variables to enter objectively high-risk countries. The study shows how managers leverage the Uppsala variables – a robust combination of capabilities, commitment processes, knowledge development processes, and actual commitments and performance – to move forward with their internationalization plans, but in a more multi-dimensional and varied way than the Uppsala model's prescribed sequential, unidirectional, and organized manner. Trust is the most important factor for a successful entry, allowing individuals to leverage trusted network connections. These managers were risk tolerant and were not slowed from entering due to perceptions of psychic distance. Those that acknowledged this distance reported better performance outcomes. This international business research contributes to existing theories on international expansion and psychic distance in high-risk countries, as well as providing practical guidance to managers considering such market expansions.

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Not Too Scared To Enter

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Decision Makers Enter High-Risk Countries

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Johanson and Vahlne's Uppsala internationalization model is a framework for understanding sequential internationalization, experiential learning, and the commitment decision processes designed to answer the question: "Why and how do firms internationalize?" Each potential market is distinctive due to dissimilar languages, cultures, religions, ethics, political systems, laws, business norms, etc. – all these perceptual differences, which can potentially block the free flow of information between markets, are called "psychic distance." By completing 34 detailed, semi-structured interviews with executives who have recently made significant financial or resource commitments to enter 28 different challenging countries, this is the first study to focus with a deep "emic" insider's perspective into the ways American SME decision makers utilize the Uppsala model's state and change variables to enter objectively high-risk countries. The study shows how managers leverage the Uppsala variables – a robust combination of capabilities, commitment processes, knowledge development processes, and actual commitments and performance – to move forward with their internationalization plans, but in a more multi-dimensional and varied way than the Uppsala model's prescribed sequential, unidirectional, and organized manner. Trust is the most important factor for a successful entry, allowing individuals to leverage trusted network connections. These managers were risk tolerant and were not slowed from entering due to perceptions of psychic distance. Those that acknowledged this distance

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CHAPTER I: INTRODUCTION

Trade between communities occurred over 150,000 years ago, even before the invention of currency (Watson, 2006). As the scope and range of transactions grew, and trading firms prospered, businesses often looked outside their own geographic areas for growth. Over the centuries, commerce increased, and the physical range of that trade grew ever larger. As the worldwide market increased appreciably after World War II, researchers began focusing attention on better understanding international trade. A move towards internationalization, or "the outward movement in an individual firm's or larger grouping's international operations" (Welch & Luostarinen, 1988, p. 36), is the creation of what Terpstra (1985) called, "the global marketplace" (p. 7). A significant question, then and now is: what processes do decision makers undertake as they decide which countries to move into? Related to that question is: how do those individuals overcome the perceptual challenges of entering new and unfamiliar markets?

Jan Johanson and Jan-Erik Vahlne (1977) developed the "Uppsala Model" theory of internationalization, which explains a firm's sequential movement from markets perceived as close – both geographically and mentally – into other, more distant markets as they gain experience and expertise. The timing and sequencing of market expansion is related to the concept of psychic distance – "differences in language, education, business practices, culture, and industrial development" (Johanson & Vahlne, 1977, p. 24), as firms moved into psychically close markets first. The internationalization model has developed over the past forty-five years and has four key variables – two state and two change – which together create a detailed framework for understanding how firms and individuals understand and utilize commitment processes and make decisions. These decisions, in turn, can help build greater knowledge capabilities, which can lead to more commitments and stronger performance and may further increase the knowledge development process. Each firm is different, each country presents unique challenges, and each manager perceives the psychic distance between their home country and a potential away market quite differently. The more we can understand how decision makers utilize these variables and deal with psychic distance as they enter a new market, the more we are able to verify the strength of this theoretical model, while also providing guidance for future business explorers.

Statement of Problem

As managers expand internationally, there exists a tension – between a desire to manage risks, and thus enter psychically close markets, versus a commercial market need to expand into potentially attractive but unfamiliar and even objectively "high risk" countries. American firms are underrepresented in markets that are perceived as particularly distant or challenging. However, some enterprising entrepreneurs have entered and succeeded in expanding into high-risk countries. The ways American small and mid-sized enterprise (SME) managers use the Uppsala model's state and change variables when entering high-risk countries is the foundation of this research.

Trade between individuals, cultures, and countries has occurred since the earliest days of human civilization. Today, the global marketplace is huge and growing; in 2021, the total value of goods exported throughout the world was $22.3T (USD), up from $6.5T in 2000 (Statista, 2022). United States companies have excellent products and services to sell, and the U.S. represents approximately 8% of total global trade, number two only behind China. And yet, American SMEs are underrepresented in international business trade compared to the size of the United States economy (Koreen & Cusmano, 2019). U.S. companies particularly struggle to enter and succeed in risky or challenging markets and often lag well behind other countries' businesses. For example, China is the number one seller to Bangladesh ($10.3B in 2015), whereas the United States was number twelve, with less than $1B in sales to that country; the U.S. comes behind Brazil and Japan and barely ahead of Germany and Canada (WITS, 2015). Nigeria imports more goods and services from Holland, Korea, and Belgium than from the United States (WITS, 2018).

One key challenge is distance – either physical or emotional – between the managers' home countries and the target countries. The differences across countries in culture, language, religion, business practices, etc. – known as the "psychic distance" between markets – causes much of that clouding (Dow et al., 2020). Baack and Baack (2006) describe psychic distance as, "the aggregate of national distance and business distance being processed through individual experience" (p. 8). As Prime et al. (2009) explain, "psychic distance makes it difficult or problematic for a firm to understand a market and operate there" (p. 196).

And yet, some American SME decision makers have entered and thrived in these "high-risk" countries. They can handle the potentially large psychic distance between America and the away market and still achieve success. The Uppsala Model may explain how this occurs. Starting in 1977, Johanson and Vahlne developed a theoretical approach to Internationalization that attempts to explain how the process of deciding on and entering a new market occurs, and they subsequently updated and refined such model (Johanson & Vahlne, 1977; Johanson & Vahlne, 1990; Johanson & Vahlne, 2009; Vahlne & Johanson, 2017). Their Uppsala Model, named after the city where their Swedish university is based, is a framework for understanding sequential internationalization, experiential learning, and greater international expansion. There are four key variables in their model – the two "change variables" of commitment processes and knowledge development processes and the two "state variables" of capabilities and commitment/performance.

How do the decision makers who enter a challenging market utilize the components of the Uppsala Model for their firms' benefits? This question led directly to my research question: How do American SME managers use state and change variables when entering a high-risk country? What could we learn from the lived experiences of managers, as they moved into challenging countries, that will provide both theoretical clarity around the issues involved as well as practical guidance for future decision makers hoping to follow them?

Purpose Statement and Motivation

The purpose of this study was to interview American-company managers of small and mid-size enterprises to see if and how they utilized the state and change variables of the Uppsala Model to enter objectively high-risk countries. And how, if at all, did they perceive and handle issues of psychic distance between the U.S. and their target markets. The goal of these detailed interviews was to explore, understand, and describe the processes undertaken by these managers as they moved into challenging markets

(Bloomberg & Volpe, 2018). I took a process approach, looking at what interactions, patterns of events, and activities occurred between individuals and firms leading up to and through internationalization. I used this approach rather than a variance approach, which measures the relationship of an independent variable and a dependent variable (Welch & Paavilainen-Mäntymäki, 2014). The process approach "allows for complex, non-linear explanations as to how and why sequences of events occur" (Welch & Paavilainen-Mäntymäki, 2014, p. 4). This approach affords the opportunity to better expose the theoretical resilience of the Johanson and Vahlne internationalization theory, while developing practical guidance for future managers seeking to move into similarly risky countries.

American companies, especially small and medium businesses, are losing precious market opportunities by not targeting countries with economic, institutional, governance, financial, and rule of law risks but who simultaneously have vibrant economies, strengthening GDPs, and growing middle classes with money to spend. An impediment to international business development is the wariness that some leaders feel about entering foreign markets, which may exhibit different languages, laws, social norms, religions, business practices, and other barriers to the easy and free exchange of facts and ideas necessary for effective decision making. As Johanson and Vahlne (1977) explain, "the psychic distance is defined as the sum of factors preventing the flow of information from and to the market" (p. 24). Many American SME managers fail to leverage opportunities due to characteristics that make these high-risk countries appear difficult – often due to a perception of large psychic distance. SME managers from other countries do not have the same level of hesitation, and U.S. SMEs are underrepresented in international business trade compared to their contributions to the U.S. economy (Koreen & Cusmano, 2019).

How did concerns of unfamiliar cultural, administrative, geographic, and economic distance –psychic distance – play a role in the decision makers' objective analysis of the market opportunities? Prior research indicates that a key factor influencing the leaders' country choices is the perceived psychic distance between the home market and the potential target, or what Brewer (2007) calls the "Away" market. Anderson and Gatignon (1986) write that these communication challenges, geographic distance, and business ambiguities lead to what they call "internal uncertainty." Psychic distance is perceptual to the individual leader (Sousa & Bradley, 2006), and it is that focus on the individual leaders' perceptions that is key, as it is "the mind's processing, in terms of perception, of cultural and business differences that forms the basis of psychic distance" (Evans & Mavondo, 2002, p. 516). Baack et al. (2015) say these perceptions are "unique to the individual decision maker" (p. 1). This same general concept of psychic distance is also denoted as cultural distance, sociocultural distance, or institutional distance (Dow et al., 2020), and it is sometimes called CAGE Distance for the combined cultural, administrative, geographic, and economic factors (Ghemawat, 2001; Antunes et al., 2019).

Psychic distance and cultural distance, though different, are often used interchangeably (Sousa & Bradley, 2006; Srivastava et al., 2020). Douglas Dow (2009) writes in an influential paper regarding the two concepts that they are "related but distinct constructs, with cultural distance being a component of, or antecedent of psychic distance" (p. 2). In Chapter Two and elsewhere – while acknowledging and discussing in detail the critical distinction between the two – I report on results from studies that utilized cultural distance, if these findings are relevant to the general framework being discussed; however, in this dissertation, I utilize the term “psychic distance” to discuss the condition under study.

This research illuminates that the Uppsala model provides a clear framework for how U.S. SME managers have been able to enter and succeed in difficult markets. While much has been written about the Uppsala model’s state and change variables, this is the first study to show how they are utilized by U.S. SME decision makers when entering countries with elevated risk factors. These managers spoke directly of how they developed a commitment process such that they decided to move forward with resource allocation decisions in the away market. They discussed how they performed market research, dealt with initial uncertainty, and made entry decisions utilizing the state and change variables. Just as the Uppsala model predicts, many SME decision makers made an explicit “trade-off” calculation “between expected benefits and downside outcomes” as part of their commitment process (Vahlne & Johanson, 2017, p. 1093).

In the past, there has been a fair amount of research into internationalization, psychic distance, and associated concepts. And, in the world of international business, the dual concepts of psychic distance and entry mode choices have been studied extensively, both individually and in tandem, but many questions remain understudied and unanswered. Prime et al. (2009) reported that psychic distance “is one of the most widely used, researched, and contentious constructs in the fields of international business and marketing” (p. 184), but the research has often led to “inconsistent and conflicting results” (p. 184). Additionally, prior psychic distance research has been “fragmented and inconsistent" (Prime et al., 2009, p. 196). Morschett et al. (2010) completed a meta-analysis of 72 different independent primary studies into entry mode choices and determinants such as psychic/cultural distance and concluded by commenting on the complex nature of the entry mode decision process. They strongly encouraged future research into the combination of different variables. Vaccarini (2015) said "psychic distance as a determinant influencing foreign direct investment seems to be under-investigated" (p. 1). Hult et al. (2020) ended their discussion of the evolution of the Uppsala model with a theme for future consideration: "One area with potential for increased explanatory and predictive power of the model is to deconstruct the gradual aspect of internationalization into different aspects of distance, commitment, knowledge, and time" (p. 48).

This research closes the academic gap around the Uppsala model, psychic distance, and internationalization decisions, specifically for American SME managers entering into high-risk countries. This research confirms that the Uppsala model provides an excellent explanatory theoretical template for how internationalization occurs, while showing that its application is less sequential and unidirectional than Johanson and Vahlne (1977, 2009, 2017) presented. The Uppsala model is validated as understanding increases of how the state and change variables work in action.

Research Question

American small and mid-sized enterprises are underrepresented in international business trade, especially in objectively risky countries. Johanson and Vahlne's (2017) Uppsala Model presents a structure for understanding internationalization in these situations. This research probed how the model's state and change variables were utilized by American-company managers who pursued international expansion into challenging markets, thereby answering my research question: “How do American SME managers use state and change variables when entering a high-risk country?”

Research Design and Methodology

For this research I utilized a qualitative phenomenological approach to complete my work, working directly with informants who have specific knowledge about a subject matter and have practices that shed unique light on that subject (Zeithaml et al., 2020). While Internationalization theory created the foundation for this research, my subject matter expert participants were the actual “theory holders” who had the answers to challenging practical problems. By engaging in deep one-on-one interviews with a relatively small set of knowledgeable participants, it was possible to verify the use and application of the Uppsala model.

Qualitative Focus

Part of the contribution of this study to the Internationalization field is the use of in-depth qualitative interviews to probe how the Uppsala state and change variables were used by practitioners when entering high risk countries. Much of the research into the Uppsala model, international expansion, psychic distance, and entry mode decisions has been quantitative (Evans & Mavondo, 2002; Baack & Baack, 2006; Magnusson et al., 2008; Morschett et al., 2010; Dow et al., 2020), but there has been growing interest in addressing these issues from a qualitative angle (Rahman, 2003; Kouznetsov & Jones, 2009; Prime et al., 2009; Wafler & Swierczek, 2014). Wafler and Swierczek (2014) clearly state that a quantitative methodology is “the wrong direction and that the results obtained have become too abstract and removed from reality” (p. 66). A qualitative approach is crucial to truly understand the underlying issues at play and to appreciate how individual managers' perceptions drove international expansion and entry decisions, particularly in high-risk countries. This is in line with Safari and Chetty (2019), who state that "qualitative studies are necessary for fully understanding how psychic distance influences internationalization [and]…managers' underlying reasons for selecting certain markets over others" (p. 757). While they were the essential players in the process of moving into new markets, decision makers were rarely central to the academic overview: "in most internationalization models, the individual manager remains without a notable role [as researchers have]…not systematically examined the role of individual decision-makers" (Niittymies & Pajunen, 2020, p. 3). This research fills a void by focusing on the direct perceptions and experiences of the front-line participants as, up to this point, "little research has focused on the role of operational manager in the entry mode decisions" (Wafler & Swierczek, 2014, p. 68).

I interviewed 34 U.S. SME business executives who had been directly involved as decision makers in entries into countries listed on the S&P Country Risk Assessments as either category 5 (High Risk) or category 6 (Very High Risk). Dow et al. (2020) discusses the conceptual issue of "Coleman's Boat," where there is a distinction between issues happening at the macro level and those, such as perceptions of distance and risk, occurring at the micro or individual level. To truly understand how SME managers used the state and change variables as they entered and worked in high-risk countries, it was essential that I focus on "the bottom of the boat," looking at managers' perceptions of psychic distance and how they utilized the state and change variables as they moved forward in that context. The focus and frame of reference for this research is on the individual decisions makers and how they utilized the state and change variables to enter high-risk countries. While their firms are mentioned in the interviews, this research does not look to organization theory or address issues at the company level.

My research question is: “How do American SME managers use state and change variables when entering a high-risk country?” To elicit appropriate responses, and to fully understand what was happening at the decision makers’ levels, I needed a sample of respondents with characteristics that fit the research question. Using a process discussed in Chapter Three, I screened potential interviewees to ensure they matched the necessary requirements: decision makers from American SMEs, who entered a high-risk country in the last 10 years, and with at least a 33% commitment of the total company resources.

Rationale and Significance

This research question and study is important for both theoretical and practical reasons. While psychic distance has been studied extensively since it was introduced as a concept 45 years ago, its full impact on managerial decisions remains understudied and ambiguous. Specifically, the Uppsala Model (Johanson & Vahlne, 1977; Johanson & Vahlne, 1990; Vahlne & Johanson, 2017), a framework for understanding sequential internationalization, shows how enterprises gain market specific knowledge through experiential learning and then how leaders leverage that knowledge about foreign markets to increase their international expansion. However, this expansion into new geographic markets can place business leaders in challenging situations, as the new markets come with different laws, languages, religions, ethics, and business norms and all of which can create barriers to the free flow of information necessary for effective decision making. These differences are viewed as creating a non-geographic “distance” between the home and host country - psychic distance. According to the Uppsala model, these differences, under the rubric of psychic distance, indicate that executives should select closer and easier markets and avoid risky ones. However, some American SME executives have entered and succeeded in high-risk markets – such as Pakistan, Ethiopia, Nicaragua, and Iraq. Before this study, the ways in which they accomplished these entries and successes had been understudied and often misunderstood, with no research focusing on American small and mid-sized businesses' entries into these high-risk countries.

Another valuable contribution is the focus on American-company businesspeople. A great deal of research exists on psychic distance and the decision processes of internationalizing business executives from many other countries, including China (Tse et al., 1997; Chen et al., 2010; Vaccarini, 2015; Yan et al., 2020); China and India (Johnson & Tellis, 2008); Britain and India (Puthusserry et al., 2014); India (Puthusserry et al., 2021); New Zealand (Fath et al., 2021); Italy (Francioni et al., 2015); African countries (Chamchati et al., 2021; Gao et al., 2022); Finland (Ojala & Tyrväinen, 2009; Kontinen & Ojala, 2010); Australia (Rahman, 2003); Canada (Kalafsky & Raymond, 2022); Indonesia (Visita et al., 2022); Russia (Kouznetsov & Jones, 2009); among others. However, surprisingly little research has focused on U.S. executives and their review and entry processes. And, none has considered their rationales and processes for entering high risk countries, as defined, for this study, by the S&P Global Country Risk Assessment Update (2022).

CHAPTER II: LITERATURE REVIEW AND CONCEPTUAL DEVELOPMENT

Introduction

Firms have moved across borders since the stone ages, but clear theories and conceptual frameworks for these movements have been relatively slow to develop (Andersen, 1997). In a series of influential articles written between 1977 and 2022, two Swedish researchers, Jan Johanson and Jan-Erik Vahlne, and several coauthors, have explored various answers to the research question: "Why and how do firms internationalize?" Their conclusions are called the Uppsala Model, Stage Model, or the Theory of Internationalization, and they have had a significant impact on international business research (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Johanson & Vahlne, 1990; Johanson & Vahlne, 1992; Johanson & Vahlne, 2003; Johanson & Vahlne, 2006; Johanson & Vahlne, 2009; Schweizer et al., 2010; Figueira-de-Lemos et al., 2011; Johanson & Vahlne, 2011; Vahlne & Johanson, 2013; Vahlne & Johanson, 2017; Vahlne & Johanson, 2020; Vahlne, 2020; Johanson & Johanson, 2021; Vahlne & Schweizer, 2022; Schweizer & Vahlne, 2022). The Uppsala model takes a multifaceted and integrated approach to the internationalization process, which even after almost fifty years of research is seen "as nonlinear, complex, and ambiguous" (Johanson & Johanson, 2021, p. 1641).

In the following paragraphs, I review the 1977 Uppsala model and the iterations that followed, showing the importance of the model's state and change variables and discussing the variables' impact on internationalization decisions. I define and discuss the four main aspects of state and change variables utilized in the model. Additionally, I focus on using the concept of psychic distance to put the theoretical developments in the Uppsala model in context to explain how American small and mid-size enterprise (SME) managers use these variables when entering high-risk countries.

Uppsala Internationalization Model – Development and Core Tenets

The Uppsala internationalization model was first introduced by Johanson and Wiedersheim-Paul (1975), who discussed the gradual "stepwise extension of operations" of four Swedish firms (p. 307) - each with more than 75% of their revenues outside Sweden. The model was expanded in Johanson and Vahlne's (1977) pivotal article and has been updated and refined over the past 45 years. They present a model of the internationalization process that shows how, over time, a firm accumulates, integrates, and utilizes knowledge it has developed as it moves to new markets, and how, with that knowledge, the firm decides to increase its commitments to additional foreign markets. Johanson and Vahlne (1977) make clear that their focus is not on individual leaders, nor on a leader's decision style, but rather on how firms, as thriving organizations, develop knowledge and expertise to move beyond their own borders. Knowledge is acquired through operations abroad, based on small, gradual, step-by-step advancements, grounded in hundreds of incremental decisions. Increases in commitment are made in small, discrete stages, rather than through large investments. As firms gain market knowledge, they make higher commitment decisions, and these commitment decisions increase the value of the resources the firm has in that market. This creates a self-generating loop, as the larger commitments reinforce their current market activities and which, in turn, increase their market commitments and lead to higher market knowledge. Market experience leads to a stepwise increase in the scale of a firm's operations, and market growth speeds up this process (Johanson and Vahlne, 1977, p. 31).

Johanson and Vahlne (1977) make an important distinction between objective knowledge, which can be taught, and experiential knowledge, which can only be learned through personal experiences. To be successful, a firm needs both general business knowledge and market-specific knowledge. Market-specific experiential knowledge cannot be taught in a classroom nor learned from a remote distance. They suggest that the best way for a firm to get market-specific knowledge is to hire an in-country sales manager or buy an existing business. Johanson and Vahlne (1977) report that the "experience factor is often overlooked" (p. 31), which is one reason firms are unsuccessful as they expand outward. However, if the "experience factor" is properly nurtured, market experience can lead to a step wise increase in scale of operations and further cumulative international expansion.

Thirteen years after their pivotal article, Johanson and Vahlne (1990) explore the contrast between their Uppsala model and John Dunnings' (1980, 1988) eclectic theory. I discuss the eclectic theory and their critique latter in this chapter. In their 1990 article, Johanson and Vahlne discuss the advantages of decision makers' pre-existing relationships and their ability to leverage these and business networks for faster jumps into new markets.

Johanson and Vahlne (1992) continue their focus on networks, where they address the research question: "How do networks impact the management of foreign market entry?". Using a case study approach, they define networks as market actors engaged in ongoing, ambiguous, interconnected, subjective, and fluid exchange relationships. Developing and maintaining exchange relationships is a crucial element in the entry process, though often not a planned strategy but a reactive one as the firm learns more about a market. These exchange relationships occur, both formally and informally, throughout the organization, not just at the top management level. Johanson and Vahlne (1992) explain, "there is nothing predetermined in the process" (p. 22), the direction of internationalization, and the success or failure thereof, "emerges out of the interplay between actors in the foreign market and the focal firm" (p. 24).

2003 to 2013: Refinements

Upon entering the new century, Johanson and Vahlne (2003) acknowledge that the previous Uppsala model, based on slowly going into psychically close markets, is less relevant as companies move faster than in previous decades. Now, more than ever, experiences and relationships are key:

> The building of business network relationships is a complex and delicate matter, which requires resources and time as well as responsiveness to the interests of the partners. But when business network structures have been built they offer strong opportunities for international expansion (Johanson & Vahlne, 2003, p. 99).

Compared to previous versions, Johanson and Vahlne (2003) stress the importance of experiential learning and make a distinction between market-specific experience and operation experience. The former only comes from being in-country, whereas the latter connects to the firm and not the country. In line with my focus on small and mid-size enterprises, Johanson and Vahlne (2003) state that when it comes to developing relationships inside a new market, "studies seem to indicate that smaller firms generally are more inclined to be responsive" (p. 97).

Johanson and Vahlne (2006) show that experience and experiential learning are the essential motivators of commitment and that commitment leads to international opportunity development. Additionally, they make a subtle adjustment and discuss how the Uppsala model is driven more by opportunity development than merely by uncertainty reduction. Existing and new relationships lead the firm to have access to network knowledge of that market, and this network knowledge reduces the risk of further commitments, while still creating opportunities; "In effect cooperation breeds trust and trust breeds cooperation" (Johanson & Vahlne, 2006, p. 172). There is an interrelated process of knowledge development about and commitment to an opportunity idea, and "opportunities are likely to develop as a consequence of the privileged knowledge the partners create through interaction with each other" (Johanson & Vahlne, 2006, p. 174).

Johanson and Vahlne (2009) significantly modify and update the Uppsala model (Hult et al., 2020), and they further build on the concept of opportunity development - internationalization is about identifying and advancing opportunities and not, as previously stressed, about overcoming uncertainties. Whereas earlier versions discuss the liability of foreignness – being from a different country – they now focus more on the liability of outsidership – being excluded from the "in" network. Certain individuals and firms are within a network, whereas others are "outside" that network and suffer, as a result, from the liability of foreignness. As a firm considers internationalization, outsidership, or being outside the business relationship network of that target country, is the key challenge that generates uncertainty. Relationships build trust and commitment, which is necessary for internationalization. Being an insider in a business network is essential to internationalization; long, close and lasting business relationships are key and occur interactively and sequentially in a social exchange process. Johanson and Vahlne (2009) acknowledge that internationalization experience and knowledge is more important than they perceived in 1977. Prior experience has a strong effect on successful internationalization, and progress comes in small steps as one builds successive commitments based on previous experiences. Firms succeed when they recognize opportunities and then work in the world of their existing relationships to develop the opportunity. "Commitment" is therefore to the relationship, not the market or country, which is a further clarification of their 1977 model.

Schweizer et al. (2010) update the Uppsala internationalization process model to emphasize the entrepreneurial aspects of the model. As in previous versions, markets are networks of relationships that give firms and entrepreneurs an opportunity to learn and build trust and commitments, all prerequisites for internationalization. In this version, opportunities are the outcome of previous learnings, and the goal is not to avoid risk but to understand and manage downside, allowing for what is called "affordable loss" (Schweizer et al., 2010, p. 348). Schweizer et al. (2010) explain, "this makes uncertainty irrelevant as the decision maker need focus only on controlling downside scenarios" (p. 348). This case-study demonstrates, as my research does, the importance of personal relationships on successful internationalization and "helps us to stress our view that internationalization should be viewed as an outcome of efforts undertaken by managers to improve their company's operations, investments, and network position" (Schweizer et al., 2010, p. 350).

Johanson and Vahlne (2011) focus on the business network that the firm operates within specific international markets and less on individual firms. Firms do business embedded in networks of relationships that extend well beyond their own boundaries. Where one firm's physical or intellectual resources ends and another's begins is of no import, as "from a strategy point of view the location of the border between formally independent entities becomes irrelevant" (Johanson & Vahlne, 2011, p. 488). Firms in networks create new knowledge and greater value together because, in these networks, the firms build trust. Trust leads to higher levels of commitment, tighter business relationships, and more productive business together. This drives the creation of new business opportunities "that firms outside this network are not able to find" (Johanson & Vahlne, 2011, p. 487). Being on the inside of a business network is valuable and privileged, versus the "liability of outsidership" as discussed by Johanson and Vahlne (2009). To be successful, the network must be based on mutual trust and commitment. However, developing such is a long and time-consuming process, and the "liability of outsidership is the main obstacle when entering new business networks" (Johanson & Vahlne, 2011, p. 487).

Figueira-de-Lemos et al. (2011) acknowledge that contingent uncertainty is a central concept of the Uppsala model of internationalization. They highlight a point mentioned in previous articles - that the Uppsala model is less focused on risk reduction than it is on opportunity seeking (Figueira-de-Lemos et al., 2011). Uncertainty exists in all situations, but risks can be reduced with knowledge, skill, and risk controlling strategies. Experiential learning is necessary for greater market knowledge, which then lowers the uncertainty and risk. But, market knowledge grows with greater commitments, which involve a firm's investment decisions and require some tolerated market risk. Uncertainty cannot be easily changed or eliminated, as "it is mostly due to factors external to the firm [but]…firms can adjust their risk levels through commitment" (Figueira-de-Lemos et al., 2011, p. 149). Even experienced managers will never have perfect knowledge about a market and must perform in an environment of uncertainty; however, "the problem of today's internationalization is not primarily a problem of knowledge acquisition, but a problem of managing the lack of knowledge" (Figueira-de-Lemos et al., 2011, p. 152).

Vahlne and Johanson (2013) continue this focus on networks, while, again, presenting the Uppsala as a more appropriate and pragmatic model for viewing internationalization versus the Dunning OLI eclectic paradigm. Firms have dynamic capabilities which develop under uncertainty to address market opportunities. Vahlne and Johanson (2013) explain that "if the value of those dynamic capabilities is superior to those of competing companies, the focal company has a competitive advantage" (p. 190). The process is dynamic with no equilibrium, as factors evolve and change continuously. The stronger a firm's network position, the more market power it has; the greater leverage it has over other actors; and the lower its level of uncertainty.

2017 Onward: Updated Model for Internationalizations in the 21st Century

Vahlne and Johanson (2017) reiterate the centrality of the Upsala model to explain internationalization. While some of the mechanics of the process have changed, the core principles of their model still fit with how companies operate as they internationalize. Change is constant when operating in new markets, and decisions are made using "process ontology" or open endedness, where the end result is unknown at the time of the decision (Vahlne & Johanson, 2017, p. 1088). Each firm has different skills, resources, and outlooks, and, as managerial capacity is limited, firms expand in close markets first; “managerial capacity is typically the bottle-neck in achieving growth” (Vahlne & Johanson, 2017, p. 1090).

However, paradoxically and directly in line with my research on objectively high-risk countries, managers must take risks or miss opportunities. Often, the best opportunities are not found in the closest markets. In this way, the model is not looking at risk avoidance but rather affordable loss. Vahlne and Johanson (2017) assert: “We believe that uncertainty is a crucial dimension of the context in which managers operate: equilibrium does not exist” (p. 1091). The best managers make smart decisions that impact resource allocation, as they constantly adjust to the evolving network and marketplace. Market benefits run to the active and decisive, and “if decisions are not made, opportunities may be missed” (Vahlne & Johanson, 2017, p. 1091). A firm’s goal is to develop dynamic capabilities, which Vahlne and Johanson (2017) say should be viewed as processes, not resources. And, firms need to have a commitment to the market, or no dynamic capabilities are developed. If done well, the outcomes at the end of the Uppsala process are either a reservoir of operational and dynamic capabilities or positive commitments and performance.

Vahlne (2020) reflects on the past fifty years to discuss how the Uppsala model was meant to explain the internationalization process, not internationalization – seen as “an interplay between commitments and experiential learning” (Vahlne, 2022, p. 241). As with earlier reviews, he stresses the importance of the change variables knowledge development and commitment processes, echoing what Vahlne and Johanson (2017) wrote, which is “where all the action takes place” (p. 1092). Vahlne (2020) acknowledges a movement over time in the later versions of the Uppsala model, away from “decisions” and more towards processes.

Contemporary research exhibits even further movement toward understanding what processes individual decision-makers utilize as they interact with the model’s state and change variables. Vahlne and Johanson (2020) continue to update the Uppsala internationalization process model with a focus on individual managers. Decision makers’ investment in network relationships allows for the discovery and development of new business opportunities, which are beneficial to all members of the network. The “discovery and development of opportunities often unfolds within relationships with other network participants” (Vahlne & Johanson, 2020, p. 5). They recognize again that trust-building takes time and resources from all individuals involved. Of direct importance to my qualitative research work, Vahlne and Johanson (2020) acknowledge that “large-scale, cross-sectional studies…cannot address adequately the dynamics of relationships” (p. 7), and they call for “research on cognitive and emotional processes” (p. 7).

The following year Jan Johanson and his son Martin Johanson add two temporal concepts – network entry speed and synchronization – to their consideration of the Uppsala model (Johanson & Johanson, 2021). They see the internationalization process as long, winding, and not at all pre-ordained or automatic, and, they suggest that as changes occur, firms must move fast and “repeatedly synchronize with the network” (Johanson & Johanson, 2021, p. 1632). Networks have periods of stability and periods of change; for a firm to strengthen its insider position, it must be flexible and fast to respond. The speed of entry of a firm is a result of its network position and the time it takes to develop insider status. Speed and synchronization with other network players lead to higher trust, less risk, and more resource commitments. Directly aligned with my research topic, Johanson and Johanson (2021) stress again that the “driving force” in the Uppsala model is “the causal loop between change and state variables” (p. 1629), and it is “the interaction between these change and state aspects that make the model dynamic and allow it to reflect a process over time” (p. 1632).

In the most recent research, and in line with the focus of this research, the trend towards focusing on individual decision makers continues (Vahlne & Schweizer, 2022). The specifics of the change and state variables, and their graphic visualizations within the Uppsala model, have changed slightly between 1977 and 2022. In this most recent iteration, Vahlne and Schweizer (2022) add an interaction between the micro level – that of the firm – and the nano level – where human behavior and judgement occur – to the inside of each of the change and state variables in the model. This shows an ongoing, interactive process between individuals and firms in a network, as knowledge is shared within the network and within the firm to benefit all members. Trust developed from network interactions can be used as a substitute for knowledge. Bingham and Eisenhardt’s (2011) exploration of experienced-based rational heuristics comes into play, as managers know what efforts are successful in what situations. Vahlne and Schweizer (2022) define the “risk limit” as the tipping point where the potential benefit is greater than the potential loss. As individuals proceed with the change variable of knowledge development – learning, creating, trust building – opportunities become more attractive as the risk appears less daunting.

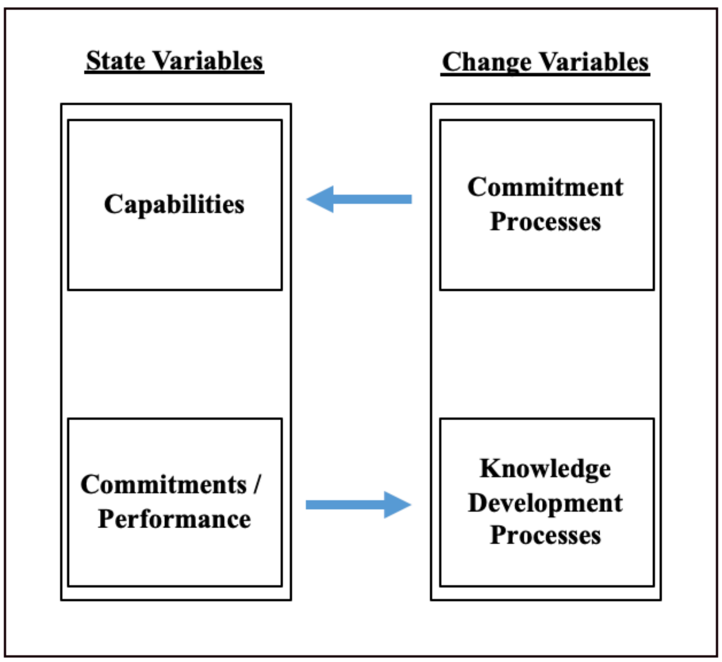
Schweizer and Vahlne (2022) note that some reviewers have criticized the Uppsala model for its “lack of focus on the role individuals play in firms' internationalization process” (Schweizer & Vahlne, 2022, p. 583). This article furthers their emphasis on the role managers have in their firms’ internationalization. Schweizer and Vahlne’s (2022) main point is that due to the previous experiences and interactions of the decision maker, discontinuous and non-linear internationalization patterns, while rare and unlikely, are completely in line with the Uppsala model. Also connected to my research, they discuss how the Uppsala model says that internationalization occurs without equilibrium – it is “characterized by volatility, uncertainty, complexity, and ambiguity” (Schweizer & Vahlne, 2022, p. 584). Increases in the commitment process, a change variable, is incremental in nature and related to changes in network relationships. This leads, in turn, to an increase or decrease in the state variable of commitment/performance. For the decision maker, the process is one of managing under uncertainty, rather than avoiding uncertainty. The goal is to get the right balance to leverage affordable loss. Understanding the decision maker’s process is essential to understanding how firms internationalize. As further motivation for the importance of the focused qualitative research of my proposal, Schweizer and Vahlne (2022) say that “explaining firms' internationalization, the role of individuals and their cognition has hitherto largely been ignored in the literature” (p. 584). The present research, by taking an “emic” approach to individual decision makers, takes up this challenge.

State and Change Variables: Overview

As just discussed, the ongoing interactions between the state and change variables are at the heart of the Uppsala model and of my research. Over the years of 1977 to 2022, the visualizations of the core model in Johanson and Vahlne's research has been refined, as shown in Appendix A. While there have been slight tweaks to nomenclature or definitions with practically each new article, the core model has stayed consistent. Appendix B lists the names used for each of the four variables over each of the iterations. In this study, I utilize the 2017 model (Vahlne & Johanson, 2017), shown in Figure 1, as it is viewed as the most current and theoretically valid version, and it differs only slightly from later revisions (Hult et al., 2020).

Figure 1: The Uppsala Model 2017

(Vahlne & Johanson, 2017, p. 1092)



The interactions between the four quadrants of variables might be viewed as a circular chicken and egg situation, where it can be disconcerting to decide exactly where to start. Vahlne and Johanson (2017) state that the change variables are the first point of interest, "the crucial ones…where the action takes place" (p. 1092), starting with the commitment processes variable, but also stressing the importance of the knowledge development processes variable. I briefly take each variable in turn and touch on the most salient characteristics of each, while discussing how they link together to set the theoretical stage for my research.

Commitment Process

The variable commitment processes highlight how decision-makers determine which resources to commit to a new market or opportunity. As previously discussed, the process is fluid, and no internationalization outcome is preordained. The commitment processes involve the whole network and not just one firm – they are interlinked and all change and evolve simultaneously. Increases in the commitment process are incremental in nature and related to changes in network relationships. Within network relationships, a manager decides that an opportunity fits the firm's "risk limit" of "affordable loss" (Vahlne & Schweizer, 2022; Schweizer et al., 2010), and a commitment decision is made. Vahlne and Johanson (2017) explain: "The Uppsala model assumes that commitments (resource allocation decisions) are made when there is a 'reasonably positive' trade-off between expected benefits and downside outcomes" (Vahlne & Johanson, 2017, p. 1093). This decision leads to knowledge opportunities under the state variable of capabilities.

Capabilities

In the Uppsala model, firm specific advantages (FSA) are placed within the variable heading of capabilities, and often the two terms are used "interchangeably" (Vahlne & Johanson, 2017, p. 1098). The state variable of capabilities is linked to a process rather than a given set of resources (Vahlne, 2020). Those capabilities are dynamic or operational, not static or pre-determined, and "reflect the ability to use resources for a particular purpose" (Vahlne & Johanson, 2017, p. 1095). Vahlne and Johanson (2013) say there are three types of dynamic capabilities: opportunity development capabilities, internationalization capabilities, and networking or relational capabilities. Internationalization experience and skills can become an FSA itself. Ultimately, all the firm specific advantages are combined to create an "advantage package" (Sanden & Vahlne, 1976, as cited in Vahlne & Johanson, 2017), which allows the firm to overcome the liability of outsidership of a foreign market. As apparent through the interlocking nature of the model, a firm needs to have commitment, or dynamic capabilities are not developed. Dynamic capabilities develop over time to address market opportunities (Vahlne & Johanson, 2013), and the outcome at the end of this ongoing process is a reservoir of operational and dynamic capabilities (Vahlne & Johanson, 2017).

Commitment/Performance

Those operational and dynamic capabilities interconnect with the other state variable, that of the firm's network position, called commitment/performance in the model. Unlike the first two variables reviewed – commitment processes and capabilities, which are both process focused – commitments/performance is based on the actual performance and market position within the network. Vahlne and Johanson (2013) state that commitments/performance includes three key elements: inter-organizational network position, intra-organizational network position, and network power. Commitment/performance is based on position, power, and action – merely showing commitment but not taking action is not enough (Hult et al., 2020). But, that action is still sometimes slow moving, as it is tied to the managers' commitment processes and assessments of the market risk. Commitments increase to improve efficiency and strengthen performance. Early on, these actions can be slow, as "firm commitment is made at a slower pace than uncertainty decreases" (Figueira-de-Lemos et al., 2011, p. 148). Alternatively, if performance is not up to par, it may also move in the opposite direction, with commitments decreasing and relationships threatened as "commitment may decline, or even cease, if performance and prospects are not sufficiently promising" (Johanson & Vahlne, 2009, p. 1412; Vahlne & Johanson, 2017).

Knowledge Development Processes

Changes in the state variables of capabilities and commitment performance is the outcome of the processes that occur within the change variables (Vahlne & Johanson, 2017). But, as this is an iterative process, these changes in commitments and performance trigger even further changes in the change variable of knowledge development and commitment processes. The knowledge development processes – which was formerly known as learning, creating, trust-building, exploiting contingencies (Schweizer et al., 2010) – is where the firm creates and refines its market knowledge. It is centered, as the name indicates, on learning, creating, and trust building. As the internationalization process proceeds, commitment decisions impact knowledge development (Vahlne & Johanson, 2013). Greater commitments lead to more trust, and more trust allows for more network interactions in the new market. Firms and managers develop greater market knowledge by experiential learning (Vahlne & Johanson, 2013), which can be used by privileged insider members of the network to observe and create opportunities. Knowledge of opportunities is often only available to network insiders (Vahlne & Johanson, 2013), and "knowledge about entrepreneurial opportunities is by no means a public good, but is private and shared between the parties involved" (Vahlne & Johanson, 2017, p. 1090). This, in turn, reinforces a robust commitment process, and the cycle continues. There is a directional loop, as shown in Figure 1, as the firm gains market knowledge and they make higher commitment decisions. These decisions reinforce their current activities and increase the firm's market commitment, which, in turn, leads to higher market knowledge. Johanson and Vahlne (1977) explain: "Consequently, the better the knowledge about a market, the more valuable are the resources and the stronger is the commitment to the market" (p. 28).

Interactions Among the State and Change Variables

But, is this cycle continuous and multi-directional, or intermittent and unidirectional? The Uppsala model authors provide conflicting answers to that question. Vahlne and Johanson (2017) say that the interaction between the change components is an "intermittent process," which is the explanation they provide for there not being any vertical arrows in their figures (p. 1092). This echoes the original concept from the 1970's, which was very sequential because the time order of market selection and entry was felt to be closely tied to the psychic distance between home and away markets (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). But, this position has softened, and the entire model can be seen as an interactive cycle, where the "knowledge development processes via the state variables impacting the commitment processes and vice versa" (Vahlne, 2020, p. 246). All the parts are linked together, as "the essence of the model is that the resource commitment and the knowledge development processes are intertwined" (Vahlne & Johanson, 2017, p. 1092). This leads, in turn, to an increase or decrease in the state variable of commitment/performance.

What I expected to find with my research is that the commitment processes, which Vahlne and Johanson (2017) describe as either/or, are rather a series of small, ever-occurring decisions that are driven by interplay with the other variables and that all four variables move in multiple directions.

Other Theories: Introduction

My research utilizes the Uppsala Internationalization model and explores how it was utilized by managers as they moved into new markets. Even after 45 years, the Uppsala model is "the most cited and influential model in the research on firm internationalization process" (Niittymies & Pajunen, 2020, p. 2), and it "was the most cited theory in second generation" international research (Welch & Paavilainen-Mäntymäki, 2014, p. 8). Other theories, however, have also been offered to explain the movement of firms into international markets. I briefly review several of these theories and explain why they are not the focus of this research.

Transaction Costs Economics

Transaction costs economics (TCE) was developed by Olivier Williamson (1981), building on the earlier writings of John Commons (1931) and Ronald Coase (1937). It initially came out of the sociology literature but has been embraced in the finance, management, and international business worlds. TCE is a robust theory that can be applied to many aspects of a firm's financial and operational decisions, while presenting an optimal way for adherents to organize their economic activities. It creates a framework for "make vs buy" decisions and can be useful, as managers decide which international markets to enter and how to balance risks versus rewards. This framework also helps managers as they consider the dimensions of frequency, uncertainty and specificity – how often were there to be international transactions; how uncertain was the environment they were entering and/or the other contracting party and network; and how specific was the investment needed or the asset involved in moving forward (Williamson, 1971). In other words: what is the most efficient and lowest cost approach to an opportunity?

While the TCE model is a valuable framework, there are shortcomings with this approach when trying to understand how individual SME managers are assessing and entering challenging markets. The TCE model is more useful for large global organizations than small and mid-sized enterprises (Johanson and Vahlne, 1990), and TCE is less helpful in unfamiliar cultures (Vahlne & Johanson, 2013). Additionally, TCE assumes fixed and known transaction costs, whereas in the dynamic world of new markets, those costs are ever-changing. Finally, the TCE model is a better theoretical fit for a quantitative research project versus my focus on qualitatively discerning a commitment process in a challenging marketplace.

Internalization

Another related theoretical area is the internalization theory, first conceptualized by Peter Buckley and Mark Casson (1976) in *The future of the multinational enterprise*. Their book, as with TCE, draws on the intellectual framework of Ronald Coase (1937). In that book and subsequent articles, Buckley and Casson refine their internalization model, which has had a significant impact on the world of international business research (Rugman et al., 2008). They consider what they call the "internalisation of imperfect markets" (Buckley & Casson, 2009, p. 1564), and they emphasize two categories of internalization: operational and knowledge. Buckley and Casson (2009) show that most multinational enterprise "activity was concentrated mainly in knowledge-intensive industries characterised by high levels of research and development (R&D) expenditure" (p. 1564). Internalization theory says that a company efficiently develops firm-specific advantages (FSAs) or country-specific advantages (CSAs). The company then grows by further evolving these advantages internally for as long as it can do this at a lower cost than using market exchange (Rugman et al., 2011). For many companies, this internalization helps reduce transaction costs, lower risks, and help identify new markets (Boehe, 2016). The theory says that internationalization occurs once a firm has developed FSAs or CSAs (Fina & Rugman, 1996).

As with TCE, the internalization theory is valuable but was not particularly well suited for my research framework. Vahlne and Johanson (2013) indicate that internalization theory is best used for situations of firm foreign direct investment rather than what I focus on, that of decision makers, networks, and internationalization. Additionally, the key focal point of the internalization theory is on financial costs – "the costs for production location, transportation, information, etcetera" (Merli, 2021, p. 29), rather than on perceptual and cognitive issues involved in decision making.

Eclectic Paradigm

A third widely utilized international business theoretical framework is John Dunning's (1980, 1988, 2001) eclectic theory. Transaction cost theory was a foundational underpinning to the development of Dunning's eclectic theory, which is also called the eclectic paradigm, OLI (ownership, location, and internalization) Model or OLI Framework (Dunning, 1980, 1988). The eclectic paradigm says that companies go international to either seek resources or markets. The eclectic model looks at international expansion and production through three interrelated advantages: ownership-specific advantages, internalization advantages, and structural and transactional locational advantages. One of its strengths is that OLI can be used to explain internationalization across a wide variety of units of analysis – the firm, business sector, countries, etc. (Rugman et al., 2001).

There are similar challenges with the eclectic paradigm/OLI framework as with transaction cost economics when applied to my research. Johanson and Vahlne (1990) explain that Dunning's eclectic paradigm assumes decision makers have perfect knowledge, which they argue, does not occur in the real world. Additionally, while the Uppsala model fits firms of all sizes, OLI has a much higher "explanatory value" for already large "global" firms engaged in foreign direct investment and international production (Johanson & Vahlne, 1990, p. 17). The eclectic model can be viewed as immobile, as it assumes decisions makers are rational and well-informed from the beginning – a static approach which does not focus on the changes undergone by individual decision makers during the process of internationalization. What I find attractive of Johanson and Vahlne's (2017) internationalization model is its dynamism and focus on managers' decisions. Unlike OLI, a fundamental aspect of the Uppsala model is to understand and explain management under uncertainty, and this dynamism of decision making is an essential element to international success.

Psychic Distance: Introduction

An issue that repeatedly surfaces in international business and entry decision literature is the concept of non-physical distance between the home country and the targeted away country and how this influences managers' entry decisions and execution. These issues of perceptual distance – including different language, education, religion, culture, ethics, and ways of doing business, among others – are grouped together under the term psychic distance. Johanson and Vahlne (1977) define psychic distance as "the sum of factors preventing the flow of information from and to the market" (p. 24). Psychic distance can also be defined as "factors preventing or disturbing the flows of information between firm and market" (Johanson & Wiedersheim-Paul, 1975, p. 308). Mentioned regularly throughout their 45 plus years of research, psychic distance is a construct as relevant in today's fast-moving times as it was when they first described it (Johanson & Vahlne, 2003; Schweizer & Vahlne, 2022). The purpose of my research is to explore how managers use the Uppsala state and change variables in the context of psychic distance to enter high-risk countries.

Physical distance and psychic distance are quite different; while New Zealand and England are physically quite far apart, their psychic distance can be, to many managers, small. Aspects well beyond physical distance impact international business and changes in commerce. For example, Frankel and Rose (2002) show that the biggest drivers of fluctuations in international trade are a common currency and membership in a colony-colonizer relationship and that physical size and geographic distance are of much smaller import.

This research study answers the question of how SME managers utilize the state and change variables to enter objectively challenging markets and shows that psychic distance, while important, was not a barrier to entry for these decision makers. What follows is background on psychic distance, its relationship to cultural distance, and various avenues of international business research related thereof. Following is an explanation of the important distinction between objectively measured “high risk” countries and perceptually psychic distance countries.

Psychic Distance/Cultural Distance

It is critical to make a distinction between cultural distance and psychic distance. The construct of cultural distance can be factually measured with objective data points on such things as education, language, religion, economic development, etc. As such, cultural distance is measured at the national level and is symmetrical between countries. Researchers could determine, for example, that the cultural distance between India and England is X, and, conversely, X is also the cultural distance between England and India (Sousa & Bradley, 2006). In contrast, psychic distance is perceptual to the individual, and it is measured based on the participant’s personal perception of that distance (Sousa & Bradley, 2006; Sousa & Lages, 2011), and, as discussed in this research, it is different than cultural distance. Sousa and Bradley (2006) write an article dedicated to drawing out the differences between cultural and psychic distance, and they conclude that while the two are related, they are not the same. Aspects of cultural distance are often at play in how individuals perceive psychic distance. A major distinction is the level of analysis, as psychic distance is partially determined by the individual values, assessment, and sensitivity of the manager. Sousa and Bradley (2006) indicate that “the psychic distance concept should be applied at the individual level [whereas]…cultural distance, which should be assessed at the cultural level, should be based on country means” (p. 52).

Horner et al. (2016) explain this distinction further with the examples of religion and language. The cultural distance between the U.S. and Mexico is partially determined by the number of English speakers in Mexico and the number of Spanish speakers in the

U.S., and the number of, say, Catholics in both countries. That is quantitatively determinable at the national level – we know the Mexican population is 98% Spanish speakers and 72% Catholic (Statista, 2021). But, an individual Spanish speaking American of the Catholic faith may report a much lower level of psychic distance towards Mexico than a non-Spanish speaker of a different faith. Dow (2009) reports the same, saying "there are significant instances where an individual's personal experiences cause them to deviate from the national average' in terms of perceived psychic distance" (p. 15). Horner et al. (2016) point out that "the inclusion of individual experience constitutes an important component of the psychic distance construct" (p. 23).

Baack et al. (2015) are even more emphatic, stating: "because it is individuals who make decisions, the perceptions of those decision makers are critical elements in any model of how distance may impact managerial decisions" (p. 939). Unfortunately, many researchers use both concepts of cultural distance and psychic distance interchangeable (Sousa & Bradley, 2006; Srivastava et al., 2020).

Perceptual/Objective Risk Distinction

Another essential distinction is between objectively "high risk" countries and how individual managers – working in a context of their psychic distance perceptions – observe potential markets. This might be better understood using an analogy to a lion tamer in Las Vegas. Objectively, being in a cage with four adult lions is clearly a factual "high-risk" endeavor. I am willing to predict that if 100 randomly sampled people were placed in that cage, the probability of a negative outcome (from the human's perspective!) would be statistically significant. However, a well-trained and practiced trainer who has raised those four lions since young cub-hood and enters their cage daily to feed and interact with them may not perceive this as a risky action. A group of dispassionate outside observers would say entering that cage was an objective high-risk experience, while the lion trainer would say it was a routine, even boring, four-times-a-day interaction.

This feeds naturally into a discussion of my utilization of objectively high-risk countries in a perceptual psychic distance context. Again, while often related, the difference is between factual empirical dispassionate measures and perceptual cues. The U.S. Department of State, or the World Bank, may list, for example, Egypt as a “high risk” country based on a variety of financial, crime, health, business, environmental, and other objective factors. But if someone studied in Cairo for their junior college year abroad, if they speak fluent Egyptian, and if they have been making repeated business visits to Egypt for many years, their perception of the psychic distance to enter the Egyptian market may be quite small. That distinction is critical to my research - how do U.S. SME managers enter an objectively “high risk” country? And, how does psychic distance impact them as they use state and change variables to make commitment decisions?

Psychic Distance: Entry Modes

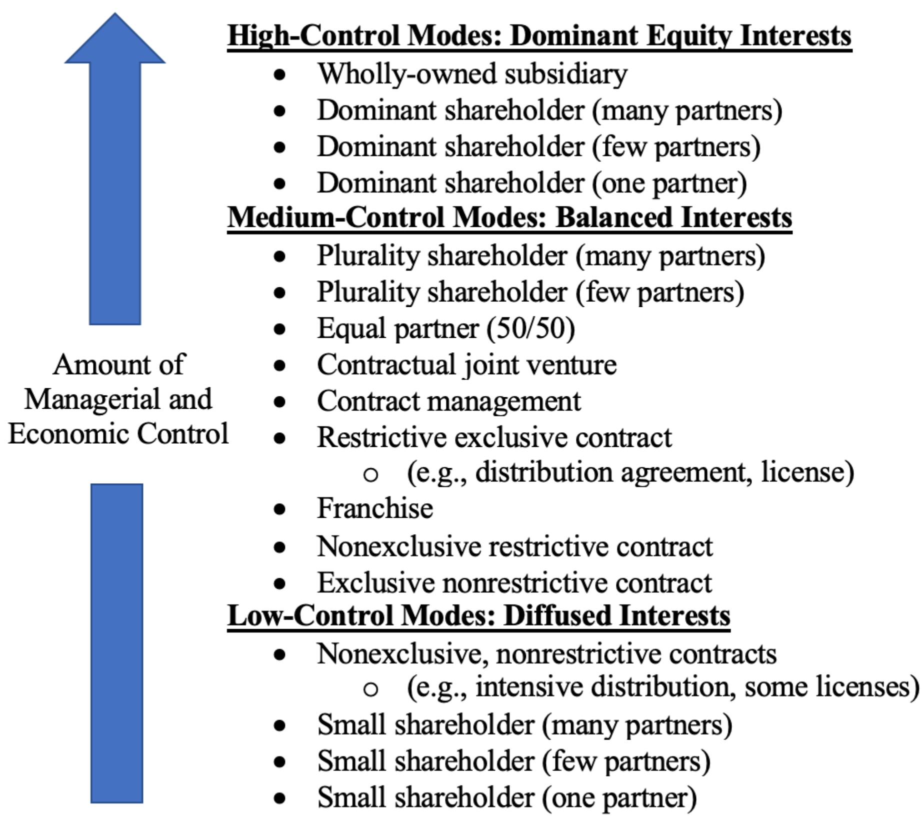
While psychic distance has been studied extensively, there has not been a specific focus on the issues I raise. Other related issues have been researched. For example, Horner et al. (2016) explore the background and conceptual framework of psychic distance and how it relates to entry mode, entry location, and organizational structure. They look at how nation distance, business distance, and individual experience relate to psychic distance, and their findings show that psychic distance decreases the desirability of internationalization: "Greater perceived psychic distance as interpreted through individual experience reduces managerial intentions to expand across national borders" (Horner et al., 2016, p. 40). Evans and Mavondo's (2002) findings show that psychic distance "explains a significant proportion of the variance for both financial performance and strategic effectiveness in distant markets but not in close markets" (p. 529).

Likewise, Antunes et al. (2019) used comprehensive interviews to explore managers' perceptions of the CAGE distance between the home country and the host country. Their findings show that the CAGE factors have a significant impact on subsidiary strategy. Each of the factors – cultural, administrative, geographic and economic – lead to a different adjustment in decision making (Antunes et al., 2019).

When entering a new market, company managers need to decide on the preferred financial and operational approaches to their new in-country business. Researchers look at entry-mode decisions on a continuum of the amount of control that the home market company retains when entering a foreign country, the away market. Most international entry-mode decisions are categorized on a scale of "all, some, or none" or "high-, medium-, and low-control," when looking at the amount of control the home country firm takes in as an investment in the host away country (Anderson & Gatignon, 1986, p. 5). Anderson and Gatignon (1986) present a more detailed and nuanced transaction cost framework approach to grouping and reviewing the different entry mode clusters. In their classification schema, the entry mode choices available to entering firms run from low economic and managerial control – with, for example, a minority shareholder position or a non-exclusive, nonrestrictive distribution agreement – to medium control arrangements, such as a 50/50 partnership or a joint venture; up to high control arrangements with high levels of economic and managerial influence arising from a dominant shareholder position; or from ownership of a wholly owned subsidiary (Anderson & Gatignon, 1986). Figure 2 is a version of their graphical representation of entry mode classifications showing various levels of managerial and economic control in international market entry.

Figure 2: Levels of Managerial and Economic Control

(Anderson & Gatignon, 1986, p. 5)



Anderson and Gatignon (1986) indicate that the most efficient choice depends on a balance between the costs of resource commitment and the desired level of control. They suggest that leaders choose lower control and lower investment entry decisions in higher risk countries. On the other hand, Agarwal's (1994) research shows that in conditions of high uncertainty, a leader will choose a higher control entry form.

Regarding psychic and cultural distance and their relationships to entry modes, Morschett et al. (2010), in their meta-analysis, finds that the effect on entry mode is ambiguous but that high cultural distance increases the risk of operating in a particular market. However, while acknowledging that cultural distance as a variable has been thoroughly studied, they also find that the results are inconclusive. Morschett et al. (2010) assert that the studies “provide no evidence of a systematic, direct effect of cultural distance on the selection of a mode of entry” (p. 67). Zhao et al. (2004), in an analysis of 38 empirical studies, find that cultural distance is the least significant factor of the six they studied in determining entry mode choice, but the effect size of cultural distance is much stronger for U.S. firms than non-U.S. entities. Similarly, Tihanyi et al. (2005), in a meta-analysis of data from 66 independent samples, “failed to provide statistical evidence of significant relationships between cultural distance and entry mode choice” (p. 270).

Aligned with my study of managers' perceptions of new markets and psychic distance is a 2020 research paper by Dow et al. (2020), who studied actual international managers’ preferences for a particular entry mode based on an experimental model that asked about two hypothetical entries into a foreign country. This research was the first to study entry mode decisions utilizing an experimental model, rather than a survey or interview research approach (Dow et al., 2020). Their findings show that psychic distance creates a great deal of uncertainty, which can affect perceptions of risk as well as the type of equity investment selected. The uncertainty occurs as internationalization theory predicts: as psychic distance increases, the perception of risk increases. For success, the venture needs tacit local knowledge, which calls for lower levels of non-local control. However, TCE says that the threat of opportunism is prevalent and thus, simultaneously, high levels of control are appropriate. Dow et al. (2020) find that the former is more powerful, and that psychic distance does increase "the need to access complementary local assets, but it does not appear to play any significant role in magnifying the concerns about opportunism" (p. 328). It is worth noting that Giachetti et al. (2019) came to the opposite conclusion, saying that "reducing the risk of opportunistic behaviors by foreign partners" via high country entry modes should be managers' primary concerns when making entry decisions (p. 31).

Agarwal's (1994) research shows that in conditions of high uncertainty, a leader will choose a higher control entry form. Giachetti et al. (2019) performed a meta-analysis of 133 studies, involving 740,114 observations, and found statistical support for their central hypothesis that there "is a positive relationship between a firm's entry mode degree of control and its performance" (p. 7); they state that the "best performers are those firms that select high-control entry modes" (p. 29).

The more we repeat an action, the better we get at it. That reasoning has been brought to bear in the world of entry mode choices, where Albertoni et al. (2019) studied the relationship between repetition in entry mode choices and the outcome of those choices. They question if the act of repeatedly making entry mode choices leads to better results, or, as their title asks, "do firms learn from experience?". Albertoni et al. (2019) find that rote repetition leads to negative outcomes, whereas "mindful repetition" correlates with positive outcomes. Mindful repetition is defined as "the experience gained in the past to further develop their skills and support the growth perspectives of the new foreign ventures" (Albertoni et al., 2019, p. 532). Global work experiences and the ability to transcend national boundaries are positively related to a leader's strategic thinking competency (Dragoni et al., 2014). Papadopoulos and Martín (2010), among others, show that international experience influences internationalization, which has a significant positive effect on export performance.

Psychic Distance: Innovation and Paradox

Azar and Drogendijk (2014) report that "firms innovate when expanding into psychically distant markets in which they perceive a high level of differences, and their innovations in response to the uncertain environment of a psychically distant market result in increased performance" (p. 600). While some assume that higher psychic distance correlates with negative firm performance (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977), others have argued paradoxically that the increased distance creates greater focus and leads to better outcomes: "that psychic distance may actually be positively related to organizational performance" (Evans et al., 2000, p. 166). Interestingly, it has been explicitly shown that in some cases, the absence of psychic distance can correlate to negative results. In this "psychic distance paradox," psychic distance has a positive relationship with organizational performance (O'Grady & Lane, 1996; Evans & Mavondo, 2002). The example utilized was the poor performance of Canadian retailers entering the very familiar, low psychic distance U.S. market.

Psychic Distance: Liability of Foreignness

As Johanson and Vahlne (2009) discuss, psychic distance is also related to the liability of foreignness (LOF), which includes two distinct cost components - the cost of foreignness and the cost of multinationality (Yu & Kim, 2013). LOF is used in the literature to describe places where a foreign firm is at a disadvantage due to additional costs not incurred by local companies. These additional costs are caused by the need to act from afar; potential discrimination from customers, vendors, government actors, etc.; and general unfamiliarity with the new market (Chen et al., 2006; Johanson & Vahlne, 2009). Johanson & Vahlne (2009) explain: “If a firm attempts to enter a foreign market where it has no relevant network position, it will suffer from the liability of outsidership and foreignness” (p. 1415).

Companies from high LOF countries – i.e. those with great “distance” between the home country and the host country– require more resource intensive entry strategies than those from low LOF countries. The level of LOF directly impacts, in conjunction with psychic distance, a leader’s entry decision for their firm. Liability of foreignness, like cultural distance, is an objective measure at the national level, rather than a perceptual measure at the leader level. Nonetheless, it is important that decision makers consider their LOF situation, as they make entry-mode decisions (Chen et al., 2006).

Tse et al. (1997) demonstrate that companies coming from countries perceived as more distant are more likely to seek an equity-based entry mode. Morschett et al. (2010) find that in situations of high country risk, companies will avoid competitive modes of entry and will work towards cooperative approaches. Interestingly, there is no statistical support for the hypothesis that a home country cultural trait of risk avoidance correlates with entry mode choice: “This includes variables, like cultural distance, for which managerial recommendations are commonly found in the literature, though, without an adequate empirical foundation” (Morschett et al., 2010, p. 71).

Psychic Distance: Experience and Networks

Liesch et al. (2014), while focusing on risk and uncertainty, discuss how experienced international leaders can help steer their companies through the internationalization process. Terpstra and Yu (1988) study the foreign direct investment decisions of U.S. advertising agencies and find that American ad firms are flexible in their use of entry modes and that they leverage their previous experiences to start and maintain their international ventures. Likewise, Zhao et al. (2004) assert that "international experience (indicator of internal uncertainty) could reduce the impact of other uncertainty factors such as cultural distance and country risk on entry mode choice" (p. 538). Research has also shown that a leader can leverage their direct experience as well as benefit from the previous international experience of Board Members (Puthusserry et al., 2021). The experience gained from internationalization is beneficial in and of itself but also because it leads to relationship-specific knowledge, which aids with future market entries (O'Grady & Lane, 1996; Johanson & Vahlne, 2009).

It is key that decision makers leverage market knowledge and experience when making entry decisions (Erramilli & Rao, 1990). Earlier research has shown a U-shaped curve, where both inexperienced and highly experienced managers prefer high control entry modes (Erramilli & Rao, 1990; Blagoeva et al., 2020). Other research has shown that earlier experiences with international ventures influences the entry mode choices (Erramilli & Rao, 1990; Albertoni et al., 2019; Blagoeva et al., 2020). Additionally, uncertainty and potential risk (and risk perception), including psychic distance and country risk on entry mode choice, has been shown to be reduced based on a leader's previous international experience (Zhao et al., 2004).

Leveraging the Uppsala model, an additional way that decision makers may overcome psychic distance in high-risk countries is by utilizing networks and network theory. Multiple organizations can work together in mutually beneficial relationships, which, when fully developed, are both formal and informal and create both inward–outward linkages (Sekliuckiene & Morkertaite, 2017). Related to this is sensemaking, which says that having an active business network allows unsure managers to determine a sense of this challenging environment and decide to move forward (Ivanova-Gongne & Torkkeli, 2018).

Psychic Distance: Challenges of Quantitative Methodology

Nebus and Chai (2014) consider the need to put the "psychic" back into "psychic distance." They claim that researchers must dig deeper into the decision maker's awareness (defined as consciousness that certain key elements are present or not); perception (the interpretation of the level of an element in the environment); and understanding (having a cognitive model of the key causal relationships at play) of their position vis a vie the target market (Nebus & Chai, 2014). In line with my research, this cognitive-centered approach is essential to understand the perceptual position of the leader making an entry mode decision obscured by the challenges of psychic distance.

Many previous studies have used a quantitative framework to look at the interactions between psychic distance and market entry in a variety of countries (Morschett et al., 2010; Magnusson et al., 2008; Dow et al., 2020; Baack & Baack, 2006; Evans & Mavondo, 2002). As previously stated, the results have been ambiguous, often due to the challenges of properly operationalizing the multiple variables at play. Psychic distance is a key factor that drives international customer/market selection (Andersen & Buvik, 2002), but how should that psychic distance be measured? One way to quantitatively measure psychic distance is to utilize the process of best worst scaling to force rank countries based on managers' views of the psychic distance between each potential target country and their home market. Best worst scaling was tested and validated by Dow and Karunaratna (2009) as the best way to "effectively and parsimoniously measure perceived psychic distance" (p. 3), and it "has recently been validated with respect to the measurement of psychic distance" (Dow et al., 2020, p. 323). However, the outcome of this scaling is a relative measure of the perceived psychic distance from one country to another, and, unlike the research findings of this study, it does not provide any understanding of how managers overcome or deal with psychic distance to enter countries with different risk profiles. Alternatively, the Uppsala model, and its state and change variables in junction with these 34 detailed interviews, provides a clear framework for understanding this subjective process.

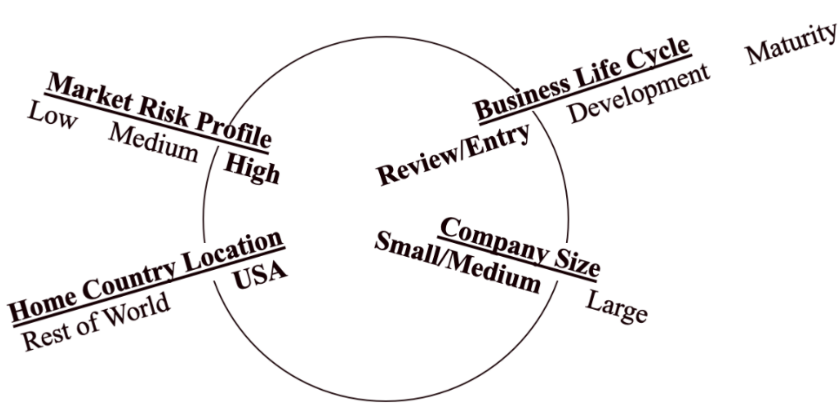
A second potential approach utilized by researchers for measuring psychic distance is more aligned with my definition of empirical high-risk countries – that is an index of objective measures outside of the perceptions of individual managers. Brewer (2007) created an index using 16 "National Psychic Distance Indicators" to attempt to create an objective and repeatable measure of the distance between different home and away markets. However, Brewer (2007) and similar approaches miss the importance of the subjective element in these key decisions. That is, as Dow et al. (2020) discuss, the distinction between issues happening at the macro level and those, such as perceptions of distance and risk, occurring at the individual level. When it comes to psychic distance and international strategy, as Sousa and Lages (2011) explain, "it is the perceptions of the actual decision-making managers that are important and that influence their decisions as to whether or not to undertake business overseas and in what form" (p. 204). Child et al. (2009) stress that the focus must be on the "organizational decision maker" (p. 201), and

Zhao et al. (2004) find the same in their meta-analysis of entry mode choices. A quantitative approach cannot capture the subjective elements of these perceptual decisions and subsequent actions.

Summary

Johanson and Vahlne's (2017) Uppsala model indicates how firms move outward in a sequential approach to internationalization. Psychic distance is an ever-present issue, perceived as strong and daunting by some managers, but like the life-long lion tamer analogy utilized previously, barely noticed by others. How do American SME managers enter and succeed in risky markets? What combination of processes and resources – of state and change variables – do they leverage? I focus on American-company managers in the entry or early stages (within last 10 years), in high-risk (category 5 or 6) countries, and who have made a substantial investment (more than 33%) to answer the research question: "How do American SME managers use state and change variables when entering a high-risk country?" The sampling frame is shown graphically in Figure 3, and discussed further in Chapter Three.

Figure 3: Sampling Frame Focus of Completed Interviews



CHAPTER III: METHODOLOGY

Introduction

Qualitative research is a relatively new and underutilized addition to studies of the Uppsala model (Prime et al., 2009; Wafler & Swierczek, 2014; Schweizer & Vahlne, 2022), and this approach has never been used to consider the ways managers employ the Uppsala state and change variables and deal with psychic distance as they enter high-risk countries. The findings of these interviews, utilizing a phenomenological approach, contribute significantly to the internationalization literature, as I answer the research question, "How do American SME managers use state and change variables when entering a high-risk country?"

A main distinction between quantitative and qualitative research is that quantitative research is focused on a specific hypothesis (X -> Y) question, which is defined, tested, and shown as supported (or not), and then the results are explained. Qualitative research is motivated by a need to understand the lives and lived experiences of those inside that X -> Y relationship. For example, quantitative research might present and support a hypothesis that children of alcoholics are statistically more likely to drink themselves (Anda et al., 2002), whereas qualitative research will address the questions of what it is like to grow up as a child of an alcoholic and how the adult children of alcoholics develop resilience and overcome the obstacles they face (Palmer, 1997; Hall, 2008). That deeper understanding is what this study achieves.

Research Methodology

I completed this research utilizing a phenomenological approach in order to understand the lived experiences of the experts on this phenomenon. As discussed by Coviello et al. (2017), “to understand the firm's internationalization behavior, we must understand the individual driving the firm” (p. 1155). I identified 34 individuals who had a lived experience directly relevant to answer the research question at hand. I utilized a deep "emic" insider's perspective, as I probed how these American-company small and mid-size decision makers utilized the Uppsala model’s state and change variables to enter and succeed within these objectively high-risk countries.

One overwhelming strength of a qualitative approach to internationalization studies is that these psychic and perceptual issues can be explored and discussed without being forced into a hard quantitative scale or yes/no dichotomy. For example, the ability to gain a more nuanced answer is well represented when I discuss in Chapter Four the importance of networks and the experts’ capabilities to leverage previous business or personal connections to aid in their market entries. A quantitative project might ask for the size, measure, or magnitude of these connections, but this study is able to report on the subjective and idiosyncratic experiences of these connections, including how these network connections enhanced the social realities of the respondents.

During this type of process, the researcher needs to stay open to new information, as they work on theoretical development, invite participants to tell their own stories, and simultaneously aid the process. In this way, this study can be viewed as an iterative process, where I started with the Uppsala model and internationalization as my theoretical frameworks, and then probed the ways decision makers used state and change variables as they entered these challenging markets. My research and interviews naturally generated data, and then that data helped drive, ground, and refine my theoretical approach and orientation (Leavy, 2014; Simons, 2014).

A qualitative approach is encouraged by Vahlne and Johanson (2017), as they suggest further research that aligns with the type of research my study accomplishes: "A qualitative approach might actually be more scientific than equations offering little guide to how the future will unfold" (Economist, 2017, as quoted in Vahlne & Johanson, 2017, p. 1098). Vahlne and Johanson (2020) also acknowledge that "large-scale, cross-sectional Studies…cannot address adequately the dynamics of relationships" (p. 7), and they call for "research on cognitive and emotional processes" (p. 7). Schweizer and Vahlne (2022) further reinforce this approach when they write that "explaining firms' internationalization, the role of individuals and their cognition has hitherto largely been ignored in the literature" (p. 584). This research is the first to accept that challenge and directly answer how American SMEs use the Uppsala model to enter high-risk countries.

Sampling Frame

I interviewed 34 business managers and decisions makers with direct, first-hand knowledge on their internationalization journeys. Their answers allowed me to better understand and explain how they used the Uppsala model in these high-risk countries. In order to qualify as part of the sampling frame, a respondent needed to fit preset criteria, including having been directly involved – either singularly or as part of a decision-making dyad – in a key managerial role when the international entry and operations decisions were being made. That entry needed to be within the last 10 years, and was often in the case of many of the respondents, within the last five years. They needed to work for an American small or mid-size enterprise. And finally, the entry mode investment decisions had to be at least 33% of total invested time, resources, or capital. Each of these criteria is explained further below.

Definition of "High-Risk" Country

As discussed in Chapter Two, this research was based on a distinction between how an individual – in the context of their perceptions of psychic distance – viewed the risks and benefits of a given country versus a macro objective view, based on specific economic, administrative, governmental, criminal, and other statistics. There are many different organizations that produce some form or another of a risk ranking or a listing of high-risk countries. These include the U.S. State Department, The World Bank, United Nations, The Organisation for Economic Co-operation and Development (OECD), and others. The U.S. Department of State reports that they consider various factors, as they determine the risk level for countries, including: "crime, terrorist activity, civil unrest, health, natural disaster/weather, and current events" (U.S. Department of State, 2019). There are merits and drawbacks to any listing. For this research, I utilized the S&P Country Risk Assessments Global Ratings, which rates countries on a scale of "1" (Very Low Risk) to "6" (Very High Risk). The list I utilized, shown as Figure 4, was updated as of February 28, 2022, and include the following factors: "economic risk, institutional and governance effectiveness risk, financial system risk, and payment culture/rule of law risk" (S&P Country Risk Assessments, 2022).

Figure 4: List of High-Risk Countries

(S&P Global Ratings, 2022, February 28)

"High Risk" Category 5 Countries		**"Very High Risk" Category 6 Countries**	
Albania	Jamaica	Algeria	Madagascar
Azerbaijan	Jordan	Angola	Mauritania
Bahrain	Kazakhstan	Argentina	Mozambique
Bangladesh	Kenya	Belize	Nicaragua
Barbados	Macedonia	Burkina Faso	Nigeria
Belarus	Maldives	Congo (Republic of)	Pakistan
Benin	Marshall Islands	Congo (DRC)	Papua New Guinea
Bolivia	Moldova	Ecuador	Suriname
Bosnia and Herzegovina	Mongolia	Eritrea	Tanzania
Cambodia	Paraguay	Ethiopia	Togo
Cote d'Ivoire	Russia	Gabon	Ukraine
Dominican Republic	Rwanda	Iraq	Zambia
Egypt	Senegal	Lebanon	Zimbabwe
El Salvador	Sri Lanka		
Georgia	Tunisia		
Ghana	Turkey		
Grenada	Uganda		
Guatemala	Uzbekistan		
Honduras	Vietnam		

Note that subsequent to this 2022 listing, the country of Ukraine was moved from category 5 to category 6 due to "the sharp escalation in security risks and major uncertainties for the country's residents and businesses, accompanied by a material deterioration in the operating conditions for businesses, triggered by Russia's invasion of Ukraine" (S&P Global Ratings, 2022). I limited interview recruitment to individuals who had worked in one of the 38 "High Risk" category 5 countries or one of the 26 "Very High-Risk" category 6 countries. The one exception was the addition of an expert who entered into the country of Bhutan, which is not currently listed in any of the S&P categories, but due to its isolation and challenges of entry, warranted inclusion in the interview process.

Country of Origin

The Uppsala model is designed to work with the internationalization process of individuals from any country moving into any other market. For greatest generalizability, I could have interviewed business executives from all countries, without limitation. However, as reviewed in Chapter Two, there is a gap in the literature of how American-company stakeholders deal with state and change variables in their decision-making processes. Thus, due to this research gap and the practical consideration of getting interviews arranged and competed, my research question was narrowed to look at American-company executives as they considered international market entry.

Decision Makers

To capture "lived experiences," and to make sure the feedback was relevant to my topic, I only interviewed individuals who had been directly involved in either pre- or post-internationalization decisions and who were able to answer based on their own, personal experiences (Puthusserry et al., 2021). It would not have been useful to interview an individual who was not an active participant in the internationalization process. The goal was to locate individuals who either made their firm's decision to enter or who were directly involved thereafter in the entry and growth of the business. It is not uncommon for there to be a dyad of decision makers – for example, an executive making the investment decision from the home market and a different individual sent as an expatriate and charged with executing the company's strategy within the away market. Throughout the recruitment process, I remained open to speaking with one or both parties.

Entry Mode

Johanson and Vahlne's (1977, 2009, 2017) internationalization model has been applied to various potential entry mode classifications – from single agent or a small investment positions, to full commitments of financial and managerial resources in the purchases and operations of wholly owned subsidiaries. As mentioned in several articles regarding the Uppsala model (Johanson & Vahlne, 1977; Johanson & Vahlne, 1990; Vahlne & Johanson, 2017), the level of a firm's commitment and the subsequent performance help determine the interaction of the state and change variables over time. There is certainly value in studying all levels of managerial and economic control of entry mode decisions. However, because the level of resource commitment – and therefore related level of risk is so much lower with an agent, franchise, or insignificant minority investment position – the findings from such entry modes are not as relevant or interesting for answering this research question. In the previously mentioned entry-mode categorizations of "all, some, or none" or "high-, medium-, and low-control," I narrowed potential participants to only the "all," "some," "high," or "medium" levels. Therefore, to participate in this study, the entry mode pondered or selected had to have been at least 33% of total invested resource/financial involvement or higher in the venture, and I did not include agents, licensing, franchising, or any general "low-control" modes (Anderson & Gatignon, 1986).

Small and Medium Size Enterprises

How one defines a "small or mid-sized" business is open to much interpretation. El Madani (2018) reviews the various approaches to defining SME and explains that definitions vary widely but "are always a function of the associated political objectives"

(p. 104). Some definitions use number of employees, while others look at annual revenues or utilize some combination of revenues and employee count (El Madani, 2018; Zahoor et al., 2020). There are also specific differences in how Americans and Europeans view this question, as "European SMEs can have up to 250 employees (European Commission 2003), [and are] widely different from the US and Chinese standards of up to 500 employees reported in 2010 by the US Small Business Administration (SBA) and Zhou et al. (2007)" (Zahoor et al., 2020, p. 2).

Recent research on the ways SMEs internationalize have utilized a wide range of employee counts; Safari and Chetty (2019) use a range of 10 to 99 employees "because [they] wanted to exclude the very small ones and the large firms" (p. 757). On the high end of the spectrum, Kalafsky and Raymond (2022) define SMEs as firms with up to 500 employees, while Yan et al. (2020) goes up to 1,000 employees. The majority of articles follow European Commission, World Bank, and OECD guidance and set the number of employees for an SME as 250 or less (Kontinen & Ojala, 2010; Nordman & Tolstoy, 2014; Puthusserry et al., 2014; Francioni et al., 2015; Safari & Chetty, 2019; Zahoor et al., 2020; Fath et al., 2021).

I was reluctant to cap the SME employee definition as low as 250 for two reasons. In my experience, the ways that businesspeople from companies in the United States define small- and medium-sized enterprises often varies and is dependent on the perspectives of those businesspeople. I would classify a firm with 240 employees as "small" to "mid-small," whereas many companies viewed as "medium-sized enterprises" may employee up to 2,000 individuals. Additionally, I decided to utilize a higher cap than 250 employees, as I did not want to jeopardize my ability to find respondents by creating too narrow of a sample focus. Because I had already narrowed my research focus to objectively high-risk countries and to decision makers directly involved in the internationalization actions of the firm, I was disinclined to set the SME definition bar as low as 250 employees. For this research, I initially proceeded with a plan to locate respondents from firms having up to 1,000 employees; I later increased this to 2,000, as the interview recruitment process developed and expert identification was slow. Ultimately, I include three interviews (experts E, G and S) whose firms had a total number of employees of between 2,000 and 2,500.

Timing of Review/Engagement

The business life cycle for moving overseas involves three broad stages: review/entry decision, business development, and maturity. The entire internationalization model is focused on the decision-making process of determining whether to enter a new market and then the steps of learning, creating, and trust-building within the new market. A "mature" company, which has operated in a foreign country for 30 years, presents a very different scenario compared to a company within the initial few years of operation. My research interests were the initial stage of business review, the entry decision, and early operation. As such, I limited the scope to interview stakeholders who were involved in the initial entry or within the first 10 years of operation.

Research Commences

One open issue at the time of conducting this research was the method through which I would locate and secure interview subjects. One option was to utilize my network of international business colleagues and contacts for initial interviews and then "snowball" from them to subsequent interviewees until I reached saturation (Bloomberg

& Volpe, 2018). My goal was to generate meaningful empirical data, and an accurate sampling frame is crucial (Bhattacherjee, 2012), as “research that is not rigorous, simply cannot be relevant” (Jordan & Troth, 2020, p. 4). As such, I wanted to identify as robust and valid a source as possible for my criterion sampling.

Following IRB approval in February 2023, I began the participant recruitment process. My initial objective was to use a combination of “snowballing” with individuals I knew and use outside organizational research and recruitment support. I contacted a wide network of friends and academic and business acquaintances, but I experienced extremely limited success. While I was able to make introductions and had a series of calls, none produced appropriate candidates. Specifically, because the sampling frame was so narrow and unique, finding candidates who fully fit the requirements, especially being the decision maker entering one of the 64 high-risk countries, was exceedingly difficult.

Through a business acquaintance, I contacted two research firms – Atheneum (www.atheneum.ai) and AlphaSights (www.alphasights.com) – whose business models are to procure “experts” for interviews with private equity and other businesses needing greater market research and understanding. While these firms rarely or never do direct “consumer” or academic work, I had just completed a business transaction with a client of the firms; after a warm introduction and many discussions, both firms were willing to assist with what they expressed was a new and interesting project. Over a three-month period, I worked with the firms to identify, screen, schedule, and complete 33 interviews – 68% of the candidates I interviewed came through Atheneum and 29% from AlphaSights. Both firms were paid by me for their work researching and screening candidates. Atheneum then directly compensated the experts they delivered, while I paid an honorarium to the AlphaSights experts. Appendix C shows the demographic information for each participant, as well as their title, firm size, and industry. Appendix D gives further demographic breakdowns across all 34 experts. Note that experts A through W came from Atheneum, while experts 1 through 10 were identified by AlphaSights. Additionally, I completed one interview, with expert 20 speaking about Bhutan, that I sourced directly through a business connection.

Screening and Expert Engagement

A key initial step of the recruiting process was to develop a screening tool that allowed me to work with the firms to identify individuals who matched my sampling frame. That screening tool (Appendix E) included a list of the 64 countries, that were either category 5 or 6 on the S&P Country Risk Assessments list (S&P Country Risk Assessments, 2022), as well as eight questions to determine a potential expert's fit for this study. Even with such a detailed form, I ended up rejecting over half of the offered candidates, as they failed to match the screening profile fully. While not directly relevant for the findings of this project, it is worth noting that many of those that did not pass my screening profile were excluded because they had not actually invested or committed to doing business in country. As discussed in both the literature review and methodology sections, the research question was focused on individuals who made a significant financial or management commitment to run a business in a challenging market (Anderson & Gatignon, 1986). Many potential candidates had merely hired an agent, set up a distributor, or consulted from afar with individuals in-country. Others were excluded if they were not decision-makers in the process of entering and operating in-country.

While many of them may have had interesting stories to tell, they were either not directly involved or took very little risk, and therefore their stories were less applicable compared to the selected respondents.

Pre-Interview Ground Rules

Before each interview commenced, I reviewed a set of “ground rules” in order to keep the experts focused on the relevant research issues. As Dow and Karunaratna (2006) discuss about research such as this, it is often difficult to distinguish the core of what is being investigated – is it the expert’s actual perceptions or the memories of the perceptions? With the consent form and instructions, my goal was to be as clear as possible about the information on which I was focusing and the ways the respondents could help by being as focused and accurate as possible (Jordan & Troth, 2020). With this ground rule framework, included in Appendix F, the experts were primed to the importance of discussing their own personal actions when entering one specific country. The experts mostly followed these directions, leading to productive interviews.

Interview Guide

Based on the internationalization and psychic distance literature, I developed an initial set of 26 questions, which all tied either directly or indirectly to the Uppsala Model’s state and change variables. Eight of the questions were focused on the commitment process change variable, for example: “Were there times when you changed your commitment level (of time, money, resources) based on changes in your network relations rather than your direct market observations?” Five of the questions related to the state variable of capabilities, including: “What market research did you do before entry?” An additional six questions were focused on the state variable of commitment/performance, for example: “How did you perceive your power position relative to your network partners?” Finally, six questions examined the change variable of knowledge development processes, including: “How did your relative power position vis a vie your network partners change over time?” Following direct supportive advice from my dissertation committee, and after conducting a series of practice interviews, I narrowed the list of interview questions to the 16 most relevant and productive questions, without losing any essential topics of inquiry. The full list of utilized questions can be found in Appendix G.

The phenomenological qualitative process is an iterative journey, where in semi-structured interviews, the experts I interviewed mentioned issues that were relevant to their lived experiences. I then asked further questions about those issues later in subsequent interviews. All the interviews were conducted via Zoom, a web-based video and audio system, which allowed for a video and audio record of each interview. I conducted each interview myself, in English. Each of the 34 interviews ran between one hour and 90 minutes, with most in the 60- to 70-minute range. Following best practices, the interviews were allowed to “flow” as the informant desired, up to a point. At the same time, part of my role was to keep the interviews focused – without being overly determinative and while staying open to addressing issues they raised – as I invited the participants to tell their own stories. The goal was to be an involved and empathetic listener, who engaged with the informants in a neutral, subdued, and positive manner.

Sample Size

I did not come into this study with a pre-determined set sample size. Bryant (2014) suggests continuing with interviews and data gathering until reaching theoretical saturation. That saturation point is not clearly defined, but experienced researchers have reported it is reached when each new interview leads to no additional incremental information. Zeithaml et al. (2020) suggest a “rule of thumb” of needing between 15 and 25 participants before reaching redundancy. As to when one reaches the horizon of research sensitivity, the same general rule applies – “I’ll know it when I see it” (Bryant, 2014, p. 133).

Between March 14th and June 13th, 2023, I completed 34 semi-structured interviews with key decision makers from 33 different companies (note that the two individuals who both worked for the same company did not work directly with each other and spoke about their experiences entering two different countries.) While there is no concrete rule about a saturation point at which time gathering further data should cease to continue, “Data are often collected until the researchers feel comfortable with their level of knowledge about a situation so that they can align the data with the problem and address the guiding research question” (Akaka & Schau, 2023, p. 7). After 25 interviews, I had accumulated enough desired information to answer the research question, but I continued interviewing to make sure I had various geographies and a wide range of different industries represented in the sample. This allows for a more robust generalization of the findings.

Data Collection and Analysis Methods

For this study, I followed a structured, focused research approach, in line with the “Gioia Methodology” (Gioia et al., 2013), with interviews and data collection; response coding; further identification of key concepts; the consolidation of key concepts into even higher-level themes and dimensions; and a final comparison of these themes to prevalent literature in the field of internationalization, psychic distance, and market entry. This was an iterative approach, with give and take between the data that came from the interviews and the development of theories (Bryant, 2014; Simons, 2014). My goal, as I operationalized this research, was to be organized and deliberate in each step of the process (Saldaña, 2014).

Throughout the three-month interview process, the Zoom interview recordings were securely saved, and each of the interviews was promptly transcribed, generally within 48 hours. Transcriptions were reviewed for ensure adherence to what was said in the interviews. I coded each of the interviews using NVivo software and utilizing an open coding process (Bloomberg & Volpe, 2018). The goal was to look for themes that animated my research findings (Gioia et al., 2013). Mills (2007) provides a framework and guidelines for properly coding, asking key questions, developing concept maps, and openly noting what is still missing. Throughout the process I was "sorting, refining, and refocusing data until they [made] sense" (Simons, 2014, p. 465).

Additionally, I separated each of the 16 questions and answers into different groupings, so I was able to cross reference all interviews by specific questions. As common themes emerged, I would probe them in subsequent interviews with other experts. Conversely, other themes would receive less focus if they were not expressed or elaborated upon by other respondents. This process was iterative, as I was always moving back and forth between the existing interview data I was coding and the new experts I was interviewing – always looking for those "repeated patterns of meaning" (Braun & Clarke, 2002, p. 86). Throughout the process, I followed the advice of qualitative experts, such as: "As you are collecting data, be sure to pause, start analyzing your data, attempt to identify patterns, and determine whether more is needed and how much it will add to your story" (Akaka & Schau, 2023, p. 12). Over time, a clear blueprint of key concepts, themes, and dimensions emerged.

But, placing issues into an ordered data structure was only part of the process. That was merely "a static picture of a dynamic phenomenon" (Gioia et al., 2013, p. 22), which was nonetheless essential to allow me to tie together my internationalization theoretical base, awareness of psychic distance, and the participants' stories of how they used state and change variables to move into high-risk countries. Over time, I followed an iterative process of "initial sense making, identification of themes, and examination of patterns and relationships between them" until I achieved greater clarity (Simons, 2014, p. 465). In Chapter Four, I weave together narrative quotes from many of my informants to tell a logical and compelling story. This provides a narrative that answers my research question – "How do American SME managers use state and change variables when entering a high-risk country?"

Issues of Trustworthiness

As with all research, it was vital to follow appropriate procedures, pay attention to detail, and abide by meticulous ethics throughout the process (Bhattacherjee, 2012). The key issues are similar between qualitative and quantitative methods – as all researchers must address credibility/validity, dependability/reliability, confirmability/objectivity, and transferability/generalizability (Trent and Cho, 2014; Bloomberg & Volpe, 2018; Zeithaml et al., 2020). However, unlike in quantitative research – where rules regarding internal validity, external validity, reliability, and objectivity are generally clear, straightforward, and agreed upon by most involved parties – in qualitative research, there is much more room for subjectivity and nuance in how research is planned, researched, written, and judged. However, this does not mean these issues are not as central to the success of the research project. To make sure that my research was rigorous and appropriate, I remained aware of and explicitly addressed these considerations throughout my research process. To easily remember these key points, Trent and Cho (2014) utilize the acronym of TRAVEL – Transparency, Reflexivity, Analysis, Validity, Evidence, and Literature:

- Transparency – asks for openness and honesty throughout the research process. How did the researcher get to the results being reported? How was data gathered? What methods were used? What data was not included in the final findings? Will reviewers be allowed to have access to the full dataset? The more transparency exhibited, the more credibility the findings will have.
- Reflexivity –involves acknowledging the role of the researcher in the research and being honest and reflective, in a critical way, on how conclusions were reached and what bias or subjectivity impacted decisions made. The more reflectivity, the more credibility garnered.
- Analysis –focuses in quantitative research often on a deep statistical analysis of the findings. Likewise, while qualitative has a different focus, it is still essential that the analysis be done correctly in an open and defensible manner. Data should be analyzed in a way that others should find legitimate and credible.
- Validity – answers the question: did the tools utilized accurately measure what is sought to be measured. In the case of qualitative research and TRAVEL measures, both transactional and transformational validity need to be considered:

- Transactional Validity – is a check of the internal validity around the researcher, the researched, and the collected data, and can include methods such as member checking and triangulation (Trent & Cho, 2014). Did multiple participants agree with the theoretical framework, and voice similar if-then propositions – if yes, then there is stronger credibility/validity.
- Transformational Validity – is more exterior to the research itself, and it occurs when others accept the findings and outcomes change: “Validity is determined by the resultant actions prompted by the research endeavor” (Trent & Cho, 2014, p. 653). Success might be raising other people’s consciousness or provoking practitioners to consider different international market entry activities.

- Evidence – is a more traditional measure of validity, where the data, texts, and sources utilized for the research are reviewed and found valid. It is necessary to always be open as to how evidence is gathered and be willing to show how the evidence helped lead to the conclusions reached.
- Literature – explains where theories align in the realm of previous related research and discusses what new ground the research covers. This point on the TRAVEL path is very similar to the key points of a good Literature Review. In Chapter Five, I show how my findings may change the literature or direction of the thinking in the internationalization/ market entry area of research.

These interlocking concepts are essential for top quality qualitative research and, by following the TRAVEL approach, I have shown that my research is valid. As Trent and

Cho (2014) indicate, “researchers want their findings to be sound, backed by evidence, justifiable, and to accurately represent the phenomena under study” (p. 654).

Summary

According to Jane Gilgun (2014), essentials for a successful qualitative research project include: quality data; high level of analysis of that data; and a strong ability to organize one’s thinking and to present an interesting story. I have shown that internationalization and psychic distance into high-risk countries is an under studied topic, which calls for greater review and deep study (Alvesson & Sandberg, 2011). Braun and Clark (2006, 2021) stress that well developed thematic analysis “involves the searching across a data set - be that a number of interviews or focus groups, or a range of texts - to find repeated patterns of meaning” (Braun & Clark, 2006, p. 86). In Chapter Four, I present the repeated patterns of findings that implicate the significance of this research.

CHAPTER IV: RESULTS - THEMES AND FINDINGS

Introduction

Johanson and Vahlne's (1997) Uppsala model has long been the leading theoretical framework for observing and understanding how firms and individuals move overseas and acquire knowledge via their international operations. They report that internationalization is a series of incremental decisions with the time order of market entry related to the concept of psychic distance between the home and away markets. The model's four key variables – two state and two change –together create a framework for identifying how firms and individuals understand and utilize commitment processes and make decisions. Up to this point, there has been relatively limited qualitative analysis of how the model is leveraged in practice, and none specifically examining how American-company small and mid-sized managers utilize these variables to enter objectively high-risk countries. Using a series of interviews that probes decision-makers on these very issues, these questions can now be answered.

Research Commences

Between March 14th and June 13th, 2023, I completed 34 semi-structured interviews with key decision makers from 33 different companies. As discussed in the methodology section, there is no concrete rule about a saturation point at which one should stop gathering further data: "Data are often collected until the researchers feel comfortable with their level of knowledge about a situation so that they can align the data with the problem and address the guiding research question" (Akaka & Schau, 2023, p. 7).

Chapter Four begins with a review of the key themes which emerged from these interviews. The themes speak to the direct lived experiences of the experts as they entered challenging markets. These themes are then coupled with the appropriate state and change variables from the Uppsala model theoretical framework in order to answer the research question, because "the labeling of elements or classification of themes should be done in a way that aligns with the stated research questions" (Akaka & Schau, 2023, p. 10). In Chapter Five, I bring all of this research together into five significant conclusions with implications beyond the research question of this study, of how American SME managers use state and change variables when entering high-risk countries. Those key findings speak to the significance of this research study by connecting the themes and results to practical answers with implications to help American SMEs succeed in these markets.

Themes

The best way to understand how American SME managers use state and change variables when entering high-risk countries is to ask them. However, while the theoretical framework of the Uppsala model is clear in an academic context, it does not align perfectly with the ways business executives live and experience their worlds. They rarely talk of "inter-organizational network positions," "knowledge opportunities," or "process ontology." Rather, they use industry and every-day language to explain how they decided to start a business in a certain international marketplace and what those experiences were like. By using a qualitative approach to this research, I match their words to the theoretical model and provide robust and nuanced perspective to this research question. Throughout this section, I frequently use direct quotes, as including the stories and voices of my respondents is essential to this research, which is in alignment with best practices: "the presentation of the findings is a critical space in which to draw out the voice of your informants" (Akaka & Schau, 2023, p. 10).

The experts I spoke with discussed a wide range of topics regarding their international journeys. After carefully reviewing and coding over 620 pages of single-spaced transcripts, I organized their responses into 45 different initial themes, falling into nine logical dimensions. I then placed these nine dimensions into three main categories – Country Entry Concepts, Market Concepts, and Psychic Concepts. My approach is generally consistent with the "Gioia Method," even though I did not exactly follow the flow of "Quotes or Codes," to "1st Order Concepts," to "2nd Order Themes," to "Aggregate Dimensions" (Gioia et al., 2013). My slight variation on the Gioia Method is appropriate and acceptable, as even Dennis Gioia and his co-authors critiqued the strict adherence to the 1st, 2nd, 3rd lockstep rigidity which some perceived of their initial writings:

> To force fit data into the 1st-order/2nd-order rubric when not called for not only diminishes the potential value of those data, but also sacrifices the benefits of qualitative research's flexibility in applying different approaches to fit different phenomenological needs (Gioia et al., 2013, p. 25).

Rather, they say the coding and presentation of the findings should speak to the key issues raised by one's respondents and, most importantly, "narrate an informative story…with the careful presentation of evidence" (Gioia et al., 2013, p. 23).

While the Uppsala model represents internationalization as a gradual but logical sequential "stepwise extension of operations" (Johanson & Wiedersheim-Paul, 1975, p. 307), each of the respondents of this study described a varied and unique set of circumstances, more often than not driven by personal motivations, happenstance, and luck, rather than a pre-set, broad corporate agenda. While each story was unique, they all generally spoke of the different stages of their internationalization, and their experiences aligned with the framework of country entry, market, and psychic concepts approach. An overview of the major themes of the interviews and the categories is shown in Appendix H. This overview also includes the numerical indication of the number of respondents and number of references for each of the most frequently mentioned themes. For simplicity's sake, only the top themes, which are bolded, are counted here.

In the following sections, I review these three key frames of reference – country entry concepts, market concepts, and psychic concepts – with indicative quotes and connect them to the relevant and related aspects of the Uppsala model's state and change variables. As the quotes show, the reality of these high-risk market launches is much "messier" than Johanson and Vahlne's (1977, 2017) model may indicate; however, the Uppsala variables are present in and very relevant to the respondents' lived experiences.

Country Entry Concepts

Under the broad aggregate dimension of "Country Entry Concepts," I observed four major sub-topics, which are each an aggregation of related themes. These topics are Personal Background, Market Evaluation, Process Evaluation, and Travel Field Work. While these were coded as unique concepts, the respondents' actual experiences are often much messier than this indicates. Many observations were coded to multiple themes, and the experts often did not view their stories as falling into distinct, stepwise actions.

Just as every individual brings their own personal experience and situation to bear as they move forward in their lives, for American SME decision makers, these personal situational factors are often key in determining whether or not they enter a challenging market. Respondents spoke at length about their set of personal experiences that played into their decisions to move forward with an internationalization.

The 34 experts came from a wide variety of backgrounds, and there was no common pre-entry set of experiences that united them. Some had previous positions in international business or development - “I worked at the World Bank starting in 2012” (Expert I, Rwanda), “We all come with a Peace Corps background” (Expert 3, Kenya), “I was the senior advisor to the head of” an organization “focused almost exclusively on youth employment in Africa” (Expert P, Nigeria), “I'm a former Navy Submariner [and]…had quite a bit of experience there under the NATO alliance in the U.S. Navy” (Expert J, Turkey). Often their willingness to consider entering challenging markets was ingrained at a young age: “I was born in India; I grew up in Chicago. I was an undocumented immigrant; I couldn't leave America until I was about halfway through college.” (Expert I, Rwanda); “My studies were actually in journalism and in global health. And so, in journalism I think I realized for myself that, instead of writing about problems, I wanted to be closer to solutions” (Expert 6, Kenya).

Likewise, they had a full range of previous international experience. Many of the experts had traveled either professionally or personally for many years before deciding to open or expand an international business. These themes came from quotes such as, “I had lots of experience in Russia and Kazakhstan" (Expert 4, Belarus), and "this was not my first international assignment. I had been on previous international assignments" (Expert 8, Kazakhstan). While most had traveled overseas or had extensive international experience before exploring an international decision, not all had. In a few cases, this was their first experience out of school or even after working for many years - "I had, I would say not zero, but minimal experience" (Expert D, Honduras); "Before I arrived in country, I had no experience whatsoever" (Expert N, Tanzania).

Pre-Entry Experiences and Familiarity with the Target Market. The range of backgrounds they brought to these market entries, and the ways they leveraged their personal backgrounds for success, can be connected to how Vahlne and Johanson's (2017) Uppsala model explains internationalization. A key change variable within the Uppsala model is the knowledge development processes that individuals undertake, as they learn about and move forward with internationalization decisions. Many of these concepts – such as of market exploration, exploiting contingencies, and experiential learning – are mentioned in the personal background section of the interviews. However, the sample set among the range of pre-entry experiences and familiarity to the market was huge and much broader than those implied by Vahlne and Johanson (2017) – running the gamut on the high end from individuals who had earlier military posting in the region, previous expatriate business experience overseas, or family or business connections directly in country. On the other, lower, end of the spectrum were individuals with limited or no overseas exposure until they decided to enter their selected markets. The range can be shown by these relevant quotes, which are sorted from most experienced to least:

- Expert J, Turkey: “I had quite a bit of experience there under the NATO alliance in the U.S. Navy.”
- Expert B, Ukraine: “I owned another company which I since sold that, that had a one big client in Ukraine. I traveled there and I've experienced what it was like over there.”
- Expert M, Tunisia: “I had visited Tunisia personally, maybe half a dozen times.”
- Expert I, Rwanda: “I had been to Rwanda a handful of times before.”
- Expert R, Zambia: “I had been on one trip in August of 2017, which was after . . . I made the decision that Zambia was going to be the next market we expand to. So quite limited. I'd never been there.”
- Expert A, Pakistan: “I traveled to India. I traveled all over Asia Pacific, but Pakistan is not a place that I'd ever travel.”
- Expert 10, Ethiopia: “I had no experience with Ethiopia whatsoever. I didn't even have the usual starving children in Ethiopia (image), because I grew up without a TV, so nothing at all, and nothing at all in Africa.”
- Expert D, Honduras: “I had, I would say not zero, but minimal experience.”
- Expert S, Nicaragua: “I had very limited understanding and interaction with the country prior to this time period. My understanding of Nicaragua or the framework that I had at that point was purely that it was a place with a complicated history, that had very good waves for surfing, but was one of these countries that was typically off limits in terms of traditional business but had a sense of adventure to it.”

- Expert N, Tanzania: "Before I arrived in August of 2018, I had no experience whatsoever."

Market Knowledge by Market Research. Another part of the change variable of the knowledge development process that connects with these country entry concepts is that managers develop greater market knowledge through market research and by experiential learning (Vahlne & Johanson, 2013). Many of the experts developed market knowledge through series of connected, though not sequential, steps – outside market research, travel to country, and then field work in country.

Again, the range of approaches to how market information is gathered is extensive. What could be called pre-entry market research ran the gamut from extensive outsourced and purchased market studies, to internal on-line research (often just Googling the country's name), to almost nothing. Unlike large corporations that have dedicated business development and internationalization staff available at headquarters or in the field, these small and mid-size organizations often had to do with much less. This aligns with Safari and Chetty's (2019) observation that "SMEs have limited resources in terms of finance, knowledge and access to networks" (p. 755). Nonetheless, this market research is a key and essential part of the change variable of commitment processes. The following quotes show the experts' experiences with pre-entry market research, running from far-reaching to almost none at all:

- Expert H, Jamaica: "All of our research was really based on a combination of online as well as on the ground using our local management team. I'm sure you're very familiar with it, the PESTLE analysis, the political, economic, social, technology, legal, and environmental analysis, Jamaica fits in with being sort of middle, upper income, politically quite stable."

- Expert R, Zambia: "I helped hire our first business development team and the process I helped set up was kind of a multi-stage gate where yes, we do desktop research to kick things off and that helps us sort through which markets are a decent fit or not. Then we prioritize by doing a more in-depth review and validating those criteria. So, I grilled the business development team on everything they had developed so far, which was kind of poking and prodding, 'trust but verify' as we would say at McKinsey on everything that went into our scoring so far."
- Expert S, Nicaragua: "I was reading books on Nicaragua about the revolution, listening to podcasts, talking to different people because Nicaragua, like everywhere else in Latin America, it's a very big little city. People are very accessible, and everybody has a story to tell."
- Expert 8, Kazakhstan: "So (I) continue to research the country of Kazakhstan, research its history, research its current leadership, current form of government. So, all those things were happening in the background as time would allow. So, I was doing my own independent research and reaching out and talking to people that had been there as well."
- Expert C, Ecuador: "Meaning, like I told you, we went with a blindfold, in a way, going in, with what we could find offline, but we didn't do any local market research, we weren't trying to set up the operation for five months. It all happened very fast." Expert C was aware that this was not enough market research, "I was

there for five days in 2017. I don't think that's enough to get a read on the market, on prices, and developing those relationships."

- Expert N, Tanzania: "I typed in 'volunteering in Africa'. Tanzania came up as... And I was pretty much open to anything. I was looking in the medical field related because that's what field I was in before I traveled. So, I was looking for something in that area, but pretty much wide open. Didn't know anything about Africa. One of the first things I saw was Tanzania, first legitimate opportunities. Looked into it, saw that the program looked like something I'd be interested in. Looked at the country, and it appeared to be one of the most stable countries in Africa, from a safety perspective. So, I figured, 'All right, well, that one sounds good. What the heck?'. I booked it, and off it went."
- Expert 10, Ethiopia: "Andy, honestly, this is kind of embarrassing, but I'm telling you the truth. I didn't do much. I asked my friend who I was looking at going into business with, 'What do you think about this?'. And I took his word as verbatim the truth. All I did was just ask my friends, 'Hey, what do you think of this?'. And then I took their word for everything, as if that was the well-researched state of affairs."

Development of Market Knowledge. The traditional Uppsala model starts on a basis of market knowledge, that the individual or firm had knowledge of a market and over time leveraged that initial knowledge to develop greater awareness of market opportunities and, eventually, focused market capabilities (Johanson & Vahlne, 1977; Johanson & Vahlne, 2009; Vahlne & Johanson, 2017; Hult et al., 2020). The wide range of market awareness of the respondents – including those that were almost completely ignorant of their chosen market prior to launching – shows that more personal idiosyncratic reasons often drive decisions rather than previous market familiarity. Respondents spoke of market knowledge being developed by traveling from the United States to the targeted market – that is "travel **TO** market" as well as field work to various locations within the targeted market – "travel **IN** market".

Market Knowledge by Travel to Market. For these SME decision makers, often the best way to understand a market was to travel to the market. Unlike the more abstract market research of the Uppsala model – but in line with a need to directly develop pre-entry market knowledge as part of their commitment processes – for these owners and entrepreneurs, it was necessary to fly in and see directly what was happening in their potential target markets:

- Expert 5, Azerbaijan: "Hey, there could be opportunities here, we should explore. I said, 'Okay fine. Let me pay a visit from Florida to Baku.' Two years almost. One and a half years easy. No business yet. In one year and a half, in and out to Azerbaijan, every quarter. I can tell you. one, two, three... seven trips in 18 months."
- Expert 10, Ethiopia: "In 2016, October, I actually moved to Ethiopia with him [her partner] for five months with our then four-year-old child. That was my first true exposure to Ethiopia. I had no context whatsoever. I moved there for five months."
- Expert 2, Nigeria: "And it was going with a counterpart, visiting the site, meeting with people, shaking their hands, getting to know them, having meals with them, getting them comfortable with us. Things got done when I was physically there."

- Expert 20, Bhutan: “Then I went to Bhutan to meet some of the people whom I had been working with, and the four-week trip ended up being a 13-year trip.”
- Expert S, Nicaragua: “So I signed up last minute for a bicycle trip to go from Nicaragua to Ecuador with a mountain bike. We started in Nicaragua in June . . . but essentially . . . I didn't make it out of Nicaragua. I fell in love with the country, especially coming from New York and this single-minded approach, a one-track approach that I had towards things. What I found in Nicaragua was that incredible waves, amazing people, very cheap, very entrepreneurial attitude like anything could be fixed very quickly by anyone.”
- Expert 9, The Maldives: “Even obviously in this world of Zoom, they say a lot can be conducted online, but nothing beats breaking bread with a counterpart there, and just tying it to them, and having some drinks, and building up that goodwill. And that's why I travel so much is to just meet face-to-face, build up that goodwill, build up that trust.”

These travels to the market are essential before a final market entry decision is made, as well as after entry, to continue to support the market opportunity, as shown with the Maldives quote.

Market Knowledge by Travel in Market. While exploring from a corporate office inside the capital city can be sufficient for gaining a general sense of the market, it is often far preferable, especially for companies selling consumer goods and services, to get out into the field. Only by seeing firsthand how customers and consumers live, work, and play can a decision maker decide if their products and services are correct for this market. This subjective, experiential connection to the target market is in line with how

Vahlne and Johanson (2017) expected individuals to proceed. The Uppsala model is not a mathematically quantifiable path to internationalization – though their 1977 article did include a detailed market entry algebraic decision tree – but rather one that focuses on processes. This emphasis on processes exists within both state and change variables and is best shown by the switch between their 2009 and 2017 articles of a key change variable from "Relationship Commitment Decisions" to "Commitment Processes" (Hult et al., 2020).

The Uppsala model assumes that companies enter familiar markets first because they are already knowledgeable about consumers that they feel are similar to the consumers in their existing and accustomed markets, and thus limited market research may be needed. But my interviews indicate that in these challenging markets, extensive in-country field work is necessary to fully comprehend the needs of the market. The experts I spoke with testified to an ever-increasing engagement within their markets, as shown by these representative quotes:

- Expert 3, Kenya: "Seeing if our product would be the right fit for the Kenyan market, I did field visits with the women that were serving, and I was incredibly hands-on. I had five years of experience working in this space in Uganda, and I spent a lot of time through June to August of 2021 seeing did our product really have that market fit. I say this often - I think we get a lot of very smart people in Nairobi, and they're not willing to get their hands dirty and go on the field. So, we get brilliant people with very many degrees. And something that I say very often is reality is stranger than fiction. And I think that we see there is a huge disconnect from the community we serve and the products that they need, to what is being delivered, because there isn't that true understanding of the end user customer. So, I made a commitment to myself - I make sure I'm out in the field at least once a month. Other people in the industry spend a lot more time responding to emails from Nairobi, than really understanding the people that we're serving."

- Expert 9, Maldives: "Other things that I found out while we were there in the third trip that we did in 2022 was, when we sat down with them again, we said we want to bring this to smaller schools around, so we worked out a deal with them to have traveling teachers that would go by boats to these islands once a month, and run a robotics, or the coding program there. And some of these islands, we actually need to bring generators along to power stuff for the laptops."
- Expert R, Zambia: "So spent a lot of time in rural parts of Zambia too really, I was worried about population density and trying to figure out how we actually get product to these rural households. And so, I spent a lot of time trying to hire different motorcycle, taxis and different transport options and things like that to figure out if that would, how feasible this actually is going to be."
- Expert 6, Kenya: "I spent a lot of time with students. I went to classrooms to understand how is this education currently being taught, what's working, what's not, and what are some possibilities of what else can exist? And so, I think I spent a lot of time interviewing people, and again, just really trying to get as much insight as possible to understand the problem space."
- Expert I, Rwanda: "You get some answers from bureaucrats, and then you actually go out into the field to the different hospitals and clinics and the discussion is completely different. So, going out to the clinics and opening their

cabinets and saying, how many expired medicines do you have in your cabinets? How many people died because you didn't have the right blood bag when you needed it, when somebody came in for a blood transfusion after a bus accident or whatever it may be. Go to Rwanda during the rainy season and try to get from point A to point B, and how many times did you stop? Where you would just get stuck. So, a lot of that field work."

- Expert 7, Iraq: "Well, first of all, without question, I knew Iraq was a tribal country. Okay. The tribe that you're entering the border in, in southern Iraq is not the same tribe as you go to and deal with in Baghdad. You're dealing with ... In a sense they are the power brokers."
- Expert 1, Guatemala: "So I did numerous trips back and forth, touring facilities, touring, recycling companies, building those relationships, building those allies that I knew that my company needed."

Market Knowledge Tied to Existing Capabilities. Another aspect of the Uppsala model is the ability to understand the target market attributes and how they fit the firm-specific advantages of the entering company. As the Uppsala model indicates, individuals examine a given market with an eye to non-public opportunities in that market as "knowledge about entrepreneurial opportunities is by no means a public good, but is private and shared between the parties involved" (Vahlne & Johanson, 2017, p. 1090). That knowledge can be leveraged by the "advantage package" that their firm possesses (Vahlne & Johanson, 2017). In the model, this occurs within the state variable of capabilities as the expert gains market knowledge that can be combined with their existing capabilities, including resources, skills, and strategic assets (Hult, 2020). The individual makes a needs assessment, coupled with their knowledge of their firm's abilities. The outcome at the end of this process is a reservoir of operational and dynamic capabilities that can be used in that market (Vahlne & Johanson, 2013). I see this occurring throughout the interviews, as represented by the following observations:

- Expert T, Egypt: "So what I did is seeded the market with products I made in UAE and shipped them into Egypt. And then I said, 'Okay, well, I'm already supplying you in Egypt. What if I built and supplied you locally? Wouldn't that be better?'. And again, the market is much larger than in UAE and the labor costs are lower. So, I felt like that would make sense. So, the first thing I did, talk to the customers, get a bunch of contracts, and get people who said they'd go with me."
- Expert R, Zambia: "The other issue is that Zambia has, relative to Eastern Africa, really low population density and we ran a very lean business."
- Expert O, Ecuador: "Somebody will say, 'Who can rehang a door for me?'. You see all of these, and then there started to be a pattern that we noticed pretty quickly of, what are the types of needs that people have here? That's where we ascertained kind of where we wanted to direct our business, to the needs that people are asking for to be met. It became fairly easy for us to see where the need is, because people are asking for it. They're saying, 'God, I wish there was this here. How do we get this here?'. They started to hit different categories of need, and so as we started to talk and write down, 'Okay, so where does this go? How would we fulfill this need for these people here?'"

- Expert L, Congo: “We had a country that had the consistent growth that we needed, but again, we're talking about services and equipment that may fail. So, with all that growth, you can't justify not having a local presence, basically.”
- Expert K, Kenya: “And that was a bit of a problem in Kenya. The traffic is absolutely horrendous from Nairobi airport to Nairobi downtown, good day, two and a half hours, bad day, six hours. So that adds a lot of time when you're in a time critical business. So how are we going to handle that? Was it better at night? Could we do a lot of it in the middle of the night? Could we make pickups from the airport and deliveries into the city at night? And actually, that became a big part of choosing the flights that you wanted to land with so it wouldn't be sitting around all day, and you could quickly pick it up and deliver it type of thing.”
- Expert H, Jamaica: “The reason for Jamaica was that it completely fit with our target audience of the percent of unbanked, 70% unbanked, the percent of mobile phone usage.”
- Expert G, Argentina: “A large amount of again, natural resources in the food agri side that we weren't even touching there. So, we said with our own boots on the ground, we can actually reach the market and grow other markets as well, so that was that.”
- Expert F, Guatemala: “There were certain things that we needed to adjust on the product level. For instance, it's easy for us understanding a smartphone. Everyone has a smartphone, it can download any application, but for these markets, downloading an application, it's a challenge. Sometimes they don't even have a smartphone. Sometimes they have a smartphone, but they don't have a data plan.

It's a completely different day-to-day for these people. They do have service, so we need to adapt our product so it could fit in 99.9% of the population on the receiving end. So, we developed certain features so they can receive the quotes, the vouchers on simply SMS instead of having to download an application and having to get a data plan, everyone with an active sim card can receive free of charge an SMS. And that's what we did. So, we adapted a little bit our product."

- Expert 4, Belarus: "I could see that this was a rich market for tech, that they had bad English and they needed content marketing. Let me go back. I was selling them marketing content, marketing edits to their texts. We've expanded to the back linking and SEO, but all focused on tech to get their product out to English-speaking markets. And I could see based on anecdotes and talking to people and introductions that this would be a rich market for me."

Market Concepts

The second significant aggregate dimension that came from coding the interviews was that of "Market Concepts." These were concepts surrounding financial, business, political, regulatory, and ecosystems issues, which the experts encountered when entering and operating in these new markets. I grouped them into three categories of themes: financial and business considerations, regulatory and political considerations, and ecosystem. As with the country entry concepts, it is difficult to draw a concrete line between many of these concepts, and some of them could also be conceivably placed into the country entry grouping.

As with the country entry concepts, what was reported as occurring within the "Market Concepts" area directly shows how these individuals utilized the state and change variables from the Uppsala model. For example, a key aspect of the change variable called the knowledge development process is experiential learning. Vahlne and Johanson (2013) discuss how firms enter a market and then, over time and based on the decision maker's hands-on experiential learning, develop greater market knowledge; this allows them to consider and make a greater commitment to the market. Vahlne and Johanson (2017) reiterate this in their seminal article when they say, "Knowledge development processes, that is, learning, creating, and trust-building, are occurring continuously, thereby changing the state variables" (p. 1092).

Financial Evaluation Leading to Resource Commitment. Part of this experiential learning was the experts making financial evaluations of the market and decisions of how to obtain, commit, or reconfigure resources to and within the market. The state variable of capabilities is partially developed by pre-commitment experience and exposure and the development of a financial model, which fits the firm's operational and dynamic capabilities. These financial and business evaluations are similar to what occurs in product or market entry decisions in any market. These experts were able to analyze the opportunity and then apply their own or others' financial resources to leverage and operationalize that opportunity. Without that actual commitment of capital or resources, no dynamic capabilities are developed, and market entry cannot occur:

- Expert S, Nicaragua: "The top thing in Nicaragua at that time is that it is just so cheap. The barriers to entry were very low. So, I mean, personally, I invested $15,000 to get this thing started, which it was not like a doomsday scenario if you lost it. I was making good money. I was living a very normal lifestyle in New York, in the rat race, but I just figured, 'Let's put this down.' I figured at the time it would be a bit of a side project, and things snowballed very quickly in a positive way as my risk analysis and the opportunity that I saw, I was able to convey that to other people quickly, and we started receiving outside investment."

- Expert J, Turkey: "So what we did, was I found some venture capitalists and financiers in Turkey that could be joint venture owners of the entity. So, we started with a 55% my client owning it, and them owning 45%. So, they got skin in the game. They're invested nearly halfway there. Don't have controlling authority, we still have controlling authority, but they're very much interested in keeping operations going, making it profitable, and making sure that all the skids are greased up with the government and local entities, so that they can be successful too."
- Expert I, Rwanda: "I think another thing is that there's actually a lot of concessionary financing out there through organizations, like the World Bank. Through this partnerships approach that we at utilized and I, at my current company, I've since started my own climate fund and actually invest in early-stage climate startups in all over the world. So, there is investment opportunity."
- Expert F, Guatemala: "Our business is not CapEx-intensive, so we didn't have to invest in-country heavily as to start to look at how to bring out the cash and what are the tax consequences. Our business was just going to invest in a software development. CapEx was that initial investment on the platform. So, there weren't any showstoppers, I can recall."

Financial Evaluation Leading to Commitment Decrease. The internationalization process can involve both an increase and a decrease in in-country investment. A key part of the interactions between the state and change variables is a feedback loop where positive performance versus expectations leads to more robust resource allocation decisions. However, this experiential learning and financial evaluation can sometimes lead, as Vahlne and Johanson (2017) state, to considerations of decreasing their commitment to the market, as shown in these quotes:

- Expert D, Honduras: “In the U.S. you can flex your labor up and down to volume ups and downs. In El Salvador, we could flex. In Honduras because we had this large cesantia [social security tax] liability you better make sure if you're going to cut those people, that you're permanently cutting those people because if you turn around and hire them back three months later, you just took a huge cash drain to right size your organization. So, to me, if I were to do it all over again, I would probably have done a broader expansion in El Salvador and a little less in Honduras.”
- Expert C, Ecuador: “The last thing, yeah, it has to do with stickiness, but stickiness related to this point that I was going to mention, which is sensibility to discounting. Ecuador, much like Peru, is very sensitive to discounting versus other countries, and Bolivia too, versus, for example, Chile and Panama. People are much less affected by that. I think for us, Ecuador isn't, wasn't one of our better markets. For us, we went to this model where you have to spend a lot to be able to get volume, because in our business, and you need a lot of volume, the margins are very thin, right?”
- Expert 8, Kazakhstan: “One of their conclusions was the administrative burden and the corruption associated with that, trying to establish local businesses, trying

to get work permits, trying to do all that stuff, and the little slices that came out of the profit margin with each ask from the administrative burden was too much to overcome."

- Expert 7, Iraq: "Our mistake for many years was we simply wanted too much from them and gave them too little. We lost a lot of time on 10%, 15%. People don't work for that anymore. Okay. You can't expect to get things done for that. If you look at what people's expectations are now, I would say try to give the local the best possible arrangement you can."

Risk and Sensitivity to the Political and Regulatory Framework. Within the Uppsala model, risk is a key element, one that comes into play under both state and change variables. The more knowledge one has about a market, the lower the uncertainty, and the lower the uncertainty, the lower the risk (Figueira-de-Lemos et al., 2011). Additionally, the more trust that exists between parties, the lower the risk (Vahlne & Johanson, 2013, p. 202). I explain the ways the respondents dealt with trust and risk in the third section regarding significant psychic themes. But here, within market concepts, it is apparent that for the commitment process to work, the decision maker must understand and decide how to deal with risks and uncertainty.

A key part of gauging and preparing for risk is to analyze the country's framework – to do an objective market analysis and judge chances for success. With this in mind, a very common theme raised by almost all the experts was sensitivity to the political and regulatory frameworks they were dealing with and how, as foreigners, they were best able to work towards productive and positive outcomes for them and their organizations. Many observed that political and governmental officials gave preferences to individuals from that country, versus outsiders, and many officials and others took implicit or explicit actions to block outsiders. Even without favoritism and the liability of outsidership, many of the experts I spoke with acknowledged that the rules of the game are unclear, unevenly applied, and often counterproductive:

- Expert L, Congo (DRC): “It's not known as an easy country to do business with because by the time you start looking at signing contracts and trusting people in your business. Especially for our business, you're talking about the regulators. And you have the official regulators, and then you have the unofficial regulators. The people that regulate the regulators that you unfortunately, have to get past them in order to do business in some form of official way. I don't know how else to say that in a nice way, but it's the Congo.”
- Expert O, Ecuador: “Anything you pick up, you're going to realize, it's not like the United States down here. To a large degree, it's the wild west. Licenses, regulations, almost nonexistent.”
- Expert G, Argentina: “What I mean by that is forms, paperwork, things that had to be done to even just ... because what we had to do is we did a stock deal at the company, but there was a bunch of stuff. We had to set up an Argentina entity to manage that. It was difficult, a lot of paperwork that didn't make sense. I said, ‘Well, this is a sign of what it's going to be going forward.’”
- Expert 3, Kenya: “Where if the government isn't informed and the local authorities and chiefs aren't informed, we see that they can sabotage the process because they feel like they weren't consulted.”

- Expert E, Ukraine: "Man, just trying to get a legal entity established there. Someone had to fly over, open up a bank account personally, walk that down to an office with a little bit of extra cash, and create a legal entity. Those are challenges."
- Expert 7, Iraq: "Well, we went in not knowing we needed a partner. Once we got the documents, we read that the requirements had changed and it said very clearly, you have to have this, you have to have that, you have to have this, you have to have that. We didn't understand that until we had the actual documents. There was a huge change. We had to make all the different adjustments. We couldn't work directly. We had to go through the Iraqi. But fortunately, the Iraqi had been a partner, so we had to put that all together to do the work. There was a lot of change from our first perception to the reality."
- Expert 20, Bhutan: "Well compared to other countries, it's just a much more restrictive place to be permitted to live as a foreigner. So typically, first of all, it's very difficult to receive any form of work or business visa or permit in Bhutan. And those who do are normally restricted to six to 12 months. Even the ones with foreign direct investment status, they have to leave country after every three years for six months. So, there were a lot of restrictions to consider."

The point is not that these challenges can be completely avoided, but rather that they are a fact of life to executives entering these markets and need to be considered as market entries are contemplated.

Positive Aspects of Regulatory and Governmental Issues. Regulatory and governmental issues could also play to the entrant's advantage. Within the change variable of commitment processes, Vahlne and Johanson's (2017) Uppsala model shows that internationalizing individuals continue to develop their market awareness and are able to leverage that market awareness to their advantage. The respondents for this study were aware that many of these high-risk countries were badly in need of direct, foreign investment and that regulators and government officials would often welcome American investments if the regulators and government officials thought it would help their citizens or their own personal positions. I cover the negative part of this process – which is the extensive and all-pervasive corruption characteristic of interacting with government officials – under psychic concepts in a later section. While the political and regulatory frameworks and other aspects of "market" concepts often put barriers in their way, many of the interviewees felt welcomed within these challenging countries:

- Expert 1, Guatemala: "They love private companies coming to Guatemala because they hire. They create jobs. It eases the government as far as funds. People look at us, people look at us for advice, government officials come visit asking us what we can do in the country."
- Expert I, Rwanda: "I think the ease of doing business is also, it's very easy, and I think it's because the government has set up a pretty strong infrastructure. Again, it's a benign dictatorship to a certain extent. I get, people have varying thoughts on that, but because there is this government stronghold that supports a lot of this international investment in the country, they make sure that you're taken care of."
- Expert D, Honduras: "There was also a perception that the government was business friendly and also there was a real separation between what I talked to, my biggest fear, the crime, and where business is actually done."

- Expert 5, Azerbaijan: "First and foremost, you got to gain a full trust from the government officers, the minister level, the heads of the departments because to be able to help them, to me, is the key, help me to help you because I have something that I don't have to position in your local market. So, getting information to give them the information to you, they got to trust you first and foremost."
- Expert 20, Bhutan: "So there were meetings that were requested for me to attend, where I met everyone all the way up from the cabinet level, nearly every minister, to the leaders in the private sector, to those who were having struggles, to all of the nonprofits. So, it was a full introduction to the country at the government level, and then at the industry level, and at the nonprofit level."

The Liability of Outsidership. The flip side of being welcomed and supported is to be shunned and challenged. This is often where the coupled concepts that Johanson and Vahlne (2009, 2011, 2017) discuss regarding the liability of foreignness and the related liability of outsidership may be most noticed. Outsidership, which is being outside the in-country network, is the key challenge that creates the root of market uncertainty (Johanson & Vahlne, 2009). They show that markets are networks of relationships, and "insidership" is being within a network. Apparent within these interviews, the opposite of insidership is "the liability of outsidership" (Johanson & Vahlne, 2009, p. 1411), and the "liability of outsidership is the main obstacle when entering new business networks" (Johanson & Vahlne, 2011, p. 487):

- Expert O, Ecuador: "The rules are different for the locals than they are for outsiders, foreigners, and so there is a concern for us often, that for no reason other than somebody might not like it, or maybe we're cutting into somebody's business, that we can get shut down. I would say just the legal, regulatory, how things get done in the towns and who is prioritized and who's favored. I mean, from a larger standpoint, the guy who's grown up here, who's put a lot of money in the community, is going to get favoritism."

- Expert U, Mozambique: "I guess favoritism. So, them [local officials] wanting a local to be the one who actually starts up that company in Mozambique."
- Expert R, Zambia: "One is anywhere where you're touching the government, you'll try to get squeezed, particularly when you're importing a high value electronics product with a company that's based out of the U.S.. And so, we just expected that to continue to happen in Zambia."

The liability of outsidership is a fact of life for individuals entering any new market where they are not part of "in" network. As with governmental and regulatory issues, it cannot be avoided but needs to be addressed and handled.

Changing Business Models to Match Changing Market Needs. In the preceding country entry concepts section, I discussed how, within the state variable of capabilities, I observed that the experts gained market knowledge. This was combined with their operational and dynamic capabilities to be applied to this new market. I witnessed this same application of the Uppsala variables again as the respondents discussed their operational situations in-country and spoke, without using these exact words, of their ability to leverage their growing opportunity development capabilities, their internationalization capabilities, and their networking and relational capabilities (Vahlne & Johanson, 2013). As seen in the psychic concepts sections, these experts had no fear of the unknown nor did they lack confidence in being able to handle risks. Rather, the experts spoke of how they had to remain nimble and change their business models to adapt to the changing market demands, just as the Uppsala model stated:

- Expert T, Egypt: “So the big thing is we went from a one customer model, which carried us to profitability in the first year, then we lost them. And before they physically left, we brought on seven or eight other customers and then expanded. And then the revenue line never went sideways or down, it continued to go up, but we had to scramble and speed up the launching of the other customers. So, the lesson learned was, don't ever get complacent. And we didn't.”
- Expert 6, Kenya: “Yeah. I mean, it was constant change. It was a lot of change. I would say a year and nine months into running the business, we actually took a step back and realized that there was a more scalable way for us to rethink the education model. And so, we actually took a month off of all operations and really focused on rebuilding the product. And so, we essentially used first principles to think about our product design and essentially used all of our learnings in the past year and nine months to rebuild this model and to really move into a more scaled platform. And we completely refocused our model based on our learnings from the first year and nine months. And from that point, we really started scaling up.”
- Expert R, Zambia: “I'd say the biggest one had to do with how we set up the cost structure for Zambia versus how we'd done it in the past, which particularly given the low population density, we basically went to a highly variable cost structure.”
- Expert O, Ecuador: “The process was just little by little, and then we would start to meet more people and they'd say, ‘You know what we really need here? This.’

We'd go, ‘We can do that,’ and so we'd go back home and go, ‘If we did this,’ and so we'd start business planning, because that's who we are.”

- Expert 3, Kenya: “And then I think the other part of that was evaluating for those failing implementing partners who are implementing our product, did I think they had the right processes and procedures in place, and implementation savvy in Africa to be successful, or not? And I evaluated that they did not, and we needed to completely overhaul the organization, and create our own team that was doing direct implementation.”
- Expert G, Argentina: “Number one is this company was buying from three or four other suppliers, and we consolidated that down. So, I would say we kind of changed the business model. The other piece of it is we expanded the business beyond what the original scope was. We had to change some business licenses, get some things there going.”
- Expert F, Guatemala: “There were certain things that we needed to adjust on the product level. For instance, it's easy for us understanding a smartphone. Everyone has a smartphone, it can download any application, but for these markets, downloading an application, it's a challenge. Sometimes they don't even have a smartphone. Sometimes they have a smartphone, but they don't have a data plan. It's a completely different day-to-day for these people.”
- Expert 8, Kazakhstan: “Well, what we did is we developed a strategy that let's hire local people and train them to do the technical work that we want to do. Let's also make sure that they either have English language proficiency or we can train them to a level of English language proficiency such that we can use them in

other places around the world so that they can be expatriates working in Indonesia or Korea or Russia or wherever else we're doing work in that time that they're not doing work in country. So, can they be a resource for us worldwide? They go do a job in Saudi Arabia for three weeks, and then come back home. And, instead of just being busy for one month in Kazakhstan, now they're busy for one month in Kazakhstan, plus three weeks in Saudi Arabia, plus two weeks in Oman, or wherever it is, wherever we're doing work."

- Expert 2, Nigeria: "And so we had to change the mix to make sure that we had some geriatric care involved and that was sort of the unexpected, oh, okay, hadn't based that on, who we were serving, the border shifted, now we're changing that. And that was decided over the course of, I think, two weeks, some emails, some on the ground, and then I had some conversations with some executives that were onsite, and they had said, 'Yeah, things are shifting. We may need to consider this.' And so, we proposed it and they said, 'Yes, let's do it.'"

Financial and business considerations, regulatory and political issues, and ecosystem interactions were key parts of the expert's market assessment and entry. All of the respondents made mention of these market concepts as they considered a potential market entry and then made the plunge to enter. These market concepts and the actions that these experts took as they entered in country are connected to specific aspects of the Uppsala model, as indicated by Vahlne and Johanson (2017).

Psychic Concepts

The third aggregate dimension to emerge from coding the interviews was that of "Psychic Concepts." The first set of issues reviewed were the country entry concepts, such as market evaluation, travel to the market, and other related issues. The second grouping was market concepts, including financial and business consideration and issues involving regulatory, government, or ecosystem interactions. This final concept area is connected with country or personal issues perceived by the respondents as being significant for their market entry and operation. Of these issues, trust is the most prevalent and the one which will be discussed the most.

Whereas the country entry concepts and the market concepts are fairly concrete and objective – number of trips to country, certain specific market attributes, government regulations they needed to deal with – the psychic issues are perceptual and often more subjective in nature. These issues were raised in response to both pointed questions that asked about specific steps in their entry journeys, as well as those questions that were more open-ended and general. It is often difficult to cleanly divide these concepts into neat and distinct categories; however, in order to review and discuss them, I placed them into two groupings – that of country-based psychic issues and of personal-based psychic issues.

Centrality of Trust in Market Entry. Many of these issues are also interlocking, without a clear distinction between one and the next. A perfect example is the link between trust and building commitment. In the interviews of this study, trust was one of the most often mentioned and most significant issues leading to a successful launch, and when trust was lost, it often led to negative outcomes.

In many of their articles, Johanson and Vahlne (2006, 2009, 2011, 2013, 2017, 2021, 2022) stress the importance of trust via relationships with others, which then allows a company to move beyond its familiar borders: "relationships offer potential for learning and for building trust and commitment, both of which are preconditions for internationalization" (Johanson & Vahlne, 2009, p. 1412). The subjects of the interviews spoke frequently and eloquently of the importance of trust as a basis for moving forward in a high-risk country:

- Expert O, Ecuador: "For us, we realized that really quickly, that the way we're going to get through this is trust, is respect, is the ability to treat people like a human being. It's so simple, but it's so crazy how often those things are left out of the equation. For us, trust was everything. That was the only thing, in the beginning."
- Expert L, Congo: "After my first visit to Congo, I realized that if I'm going to have to be working in this country, that I really need people around me that I trust and that I know. That was going to be the number one way for me to comfortably come in and out of the country, and manage the country, et cetera."
- Expert 5, Azerbaijan: "That trust has been built throughout those meetings and relations and the risk mix and the metrics and what ifs and ifs and debts and demos and trials and local resources, offices, engineers, whatsoever. So, trust is, they're less corporate, more personal trust-based business driven. Because they know me as a face, they don't care about who the company is after a while because you spend a lot of time with them."
- Expert T, Egypt: "So a lot of trust there, huge. And I think that you have to figure out who you can trust, then you have to trust them, and that has to go well, or things go sideways fast."

- Expert P, Nigeria: "I think that is often the case with high growth startups, is that it's really, really high trust. Things change so quickly that you're rarely ever following a plan, and thus you have to really be in close sync about what you're trying to accomplish and why. I would say trust in the early individuals that were making that decision and taking the leap together was pretty critical."
- Expert I, Rwanda: "The trust with the government, both from our side and their trust in us, I think is the linchpin of what made the Rwanda partnership successful. Because the government was like, okay, here are a bunch of little 30-year-olds, maybe even 20 some, I don't remember how old we were at that time. But relatively young individuals coming in with a new technology that's now to fly over people's heads. May or may not fall out of the sky, with zero track record of safety because we had no track record. So, I would argue that they had to put way more trust in us, than we had to put trust in them. And luckily it all worked out."
- Expert 7, Iraq: "Look, we had to do a lot of trust on this one because our Iraqi partner had to receive the money. Okay. That was a requirement. If we're doing an $800,000 job, million-dollar job, we had to trust that we would have our 85% sent to us. There's nothing we could do about that. It's the law, it's the requirement."
- Expert 2, Nigeria: "So when I would get on the phone and talk with someone or would be having meals with someone, I'm building trust, I am building a relationship with this person, we're building towards an understanding of how we can work best together. How can we improve our relationship to make sure that we're being transparent with one another, to make sure that things are going well,

that they trust me to be able to handle stress, that I trust them to be able to message what I need messaged when I'm not on the ground. I would say that was huge, especially for me, but I think it was sort of a two-way street. They wanted to make sure that we weren't scared and that we felt comfortable coming on site, that we trusted them to keep us safe."

Trust and Commitment. Over time, as companies are learning about a new market, trust and commitment work together. Johanson and Vahlne (2009) explain the time it takes to build trust and commitment, what they call, "the essential elements of the internationalization process" (p. 1415). Trust is mentioned at many different places in the Uppsala model but most prominently within the change variable of knowledge development processes, as they report that "learning, creating, and trust-building, are occurring continuously" (Vahlne & Johanson, 2017, p. 1092), and this trust building directly impacts the state variables. I observed this during the interviews as some of my respondents, likewise, reported that it took a period of time for enough trust to develop for them to feel comfortable to increase their commitment. As it took time to develop trust, having a trusted situation also allowed them to increase their risks without feeling uncomfortable:

- Expert R, Zambia: "It was pretty meaningful, takes a while for me to build trust, particularly when it comes to things like finances and autonomy."
- Expert B, Ukraine: "As the office grew and I saw that we could really trust the person, then the trust became more important because the volumes became larger and the risk if something were to happen became larger, and at that point it was very important and critical, but at the beginning it wasn't."

Trust and Safety. The Uppsala model's interest in trust is most often focused on business decisions and increasing the likelihood of greater financial or resources commitments. Vahlne and Johanson (2017) look at trust mostly in a business and commercial context. For example, they say that "trust is important to overcome uncertainties before resource allocation decisions" (Vahlne & Johanson, 2017, 1094). However, what I observed in these high-risk countries is that trust can often be necessary for a much more fundamental and existential reason – personal safety. In a way that could not have been imagined by Swedish researchers initially writing about movements into other Northern European countries, these American-company business executives must trust people in-country for their safe passage through country, what could be called "trust for safety":

- Expert L, Congo: "I'm thinking the biggest trust is actually between myself and the people that I have to trust my life with when I go to Congo. That's the biggest level of trust is getting into the country, again, working through the airport situation, which is a situation because there's no other way to describe that. Then getting into a car with a driver that, thank God, I always had the same driver. But at the end of it all, I had to trust that these people are going to take very well care of me, and that at this point, I know I have absolutely no control over my own life pretty much, which is not a situation that a lot of people can handle."
- Expert 2, Nigeria: "They wanted to make sure that we weren't scared and that we felt comfortable coming on site, that we trusted them to keep us safe, at the time I was mid 20s white girl, I stuck out like a sore thumb, they didn't want me to get

kidnapped, they didn't want me to have a really, really poor experience, and so they wanted to make sure that I was kept safe. Yeah."

- Expert 10, Ethiopia: "We were in Ethiopia, in Western Ethiopia and Kaffa specifically. We were trapped by protestors for about five days behind walls. It was a potentially incendiary situation. It was clear that we were planned to be the collateral by the organizers if things went badly. A young American family. We called our investor, and he paid out of his personal funds to send a private helicopter to pick us up. We met it in a field a mile away from where ... People were trying to hold onto the helicopter as we left. I mean, it was very dramatic. For that moment, there was trust between all of us. He had just bailed us out. We were there trying to do good. We were actually visiting one of his projects, but I would say that was the high point, trust."

Misplaced Trust. There can be a negative side to trust, especially misplaced trust. Vahlne and Johanson (2017) allude to this in some of their research, saying, "Negative experience can decrease trust among partners" (p. 1094). In a challenging market such as these, where familiar structures are less likely to be in place – American laws, preexisting business connections, alternative customers or suppliers – misplaced trust can be quite problematic. As expert S (Nicaragua) said, "The more trust you put into someone, the easier it is for them to take advantage of you." Many of my respondents had negative interactions with partners that they had put trust in. But, most rebounded and moved forward with other partners:

- Expert T, Egypt: "And what I did, I trusted, in this case, the wrong guy, and I did trust him, and it was a big mistake, and it was damaging to the business."

- Expert M, Tunisia: "So you may agree upon X, Y, and Z, and those things don't always happen. You also may think you can trust someone, but in reality, they are far from trustworthy. So many of the things that I think, or we take for granted in our home country around how business is done, the ease of doing business. Communication, whether it's direct, indirect, all of those things, you just have to throw them out the window in this particular market. So, a lot of those were very, very, very concerning to me, but not insurmountable obviously."
- Expert 4, Belarus: "So you do have to take very special care to be aware of your surroundings, not drink too much and not really trust anybody."
- Expert G, Argentina: "Then also we realized pretty quickly that while we did trust the people, we thought there was some management that would step up and we realized within the first three months they weren't stepping up, so we actually brought an expat in to run the place."
- Expert 8, Kazakhstan: "So it was to find a trusted agent that could represent our business, could help us navigate some of the administrative things in country, and not try to screw us essentially, because some of the previous guys had essentially found ways to take advantage of the situation."
- Expert S, Nicaragua: "The more trust you put into someone, the easier it is for them to take advantage of you. So that goes both ways. So, trust and the way to enforce what I call jungle law, who you trust, who you work with, what are remedies if you get screwed, it's a very, very different system than what I was used to in the United States. Let's put it that way."

- Expert 10, Ethiopia: “And shortly thereafter, the company was victimized by invoice fraud through his company. That precipitated an absolute break in trust, and I would say trust has been one of the key factors both for and against the success of the business. Start to finish. Everything in Ethiopia is like a soap opera, I tell you. Trust formed the business, broken trust has shifted the business, and I will be honest with you that I'm not sure that I can pull it out.”

Self-Trust and Self Confidence. In addition to trust in others, there is a strong aspect of self-trust and self confidence that surfaces in many of these interviews. As discussed within the country entry concepts, there is no published road map, game plan, or blueprint for exactly how a small American business could enter and succeed in Ghana, Azerbaijan, Bhutan, Ecuador, or Tunisia. These experts had to trust themselves, try different things, and follow their gut instincts to be successful:

- Expert 6, Kenya: “I think maybe this is a bit soft, but I think just to trust myself and just to trust my intuition, trust my ability to listen and to learn from other people and to just keep grounding myself. So, keep questioning all my assumptions, keep opening up my assumptions for other people to challenge and for other people to share feedback, and to keep evolving that way.”
- Expert G, Argentina: “Everybody says, ‘Oh, you can run southern cone out of Brazil. We learn very quickly,’ that shit don't work. Pardon my French, you have to be in Argentina. You can't phone it in from Brazil.”
- Expert O, Ecuador: “Within the first day I realized, ‘This guy, no, this guy, no, this guy, yes, yes,’ and so we made the switch and then I started working side by side with people and fixing their misunderstandings, if you will, of the process.

Then, we did that with that project, so then another project comes. ‘Okay, we're going to build a new building in the front. It's going to be for the pump-house. We're going to rerun all the water lines.’ Great, and so you start asking all the neighbors, ‘Who's a good guy? Who's a good guy?’ We started going out and looking and meeting everybody we could, non-Ecuadorians and Ecuadorians, and ‘Who do we know? Who's good? Who's willing to work with Americans?’”

Sole Voice for Zero Trust. As stated, trust is central to the Uppsala knowledge development processes and tied with networks as a key part of commitments and performance. All but one of the 34 interviews spoke positively about trust being a bedrock component, in one way or another, to their entry into a high-risk country. The one exception was Expert W, who entered Angola as CEO of a mid-size underwater construction oil and gas company. His answer to the key question, “What was the role of trust within your market entry?” was consistently “zero.” His point, developed in the quote below and elsewhere in his interview, is that Angola depends largely on the petroleum industry for 75% or more of government revenues and about 90% of exports. In his telling, the country and the industry is cutthroat and Machiavellian, and the necessary rule of practice is to “check, double check, and check again” every aspect of a deal. Rather than being based in trust, their ongoing interactions were governed – even with firms he worked with for several years – by the maxim that there is no honor among thieves:

- Expert W, Angola: “It's an oil and gas thing. There's a huge area of hydrocarbon, the industry is going to do it, you need to be part of it, but day one, pre-investment, its check, double check, and check again. I don't know if that's zero trust. I've got 100% trust in that there is going to be a hydrocarbon industry in Angola when I'm sitting, contending this as an individual, but trust in Angola, pretty close to zero."

Connections and Networks. In more recent articles about the Uppsala model, networks and business connections are core to successful internationalization actions. Vahlne and Johanson (2017) indicate that the focus of interest in their research is increasingly on a network of business connections rather than a single stand along firm, and they define a multinational firm as "a differentiated network" (p. 1088). Others, likewise, stress the importance of connections to opportunity expansion, explaining that "deep relationships with other business actors in the firm's business network will facilitate the establishment of a position in a foreign business network in order to develop a business opportunity "(Forsgren, 2016, p. 1138). Often, these are business to business connections, but sometimes, especially in smaller markets, they are business and family connections, as shown in the quote below from Expert O. Almost every expert I spoke with indicated that they could not have entered these markets without leveraging individuals in their networks and making connections with others. This was a consistent theme, with almost three quarters of the respondents discussing issues I coded as "network" related and 95% mentioning "connections":

- Expert L, Congo: "That's when I built up the network of in-person contacts, which made everything else a super smooth road."
- Expert H, Jamaica: "And then again, it's about partnership. What is a local partner that one can work with or even a global partner with local presence, whether it's

from a nonprofit standpoint or for for-profit standpoint to leverage that partner's clout, distribution, reputation, marketing power."

- Expert 9, Maldives: "Yeah, so as any country, I need an entry point, and that's typically through the law firm that incorporates or does a trademark application. And from there, is when the networks ... And it's a great place to start, because the law firms in these countries that deal with foreign firms coming in, typically have really big networks into other business owners, government officials, and things like that. I always use the law firm as an entry point to get access to the right people that I need."
- Expert 6, Kenya: "And so I think when we started building up our network in Kenya, we realized that it was actually possible for us to circumvent a lot of the business challenges in that way. I was already in Kenya. I had met a number of companies and other venture funds through my role at that venture capital fund. And so, I think in my role there, I just leveraged the networks that I made there and just use those to help generate more learnings."
- Expert D, Honduras: "But I had networking contacts, friends of friends who had done business there and had trust in the country."
- Expert 4, Belarus: "A lot of times if I networked in town with companies, I'd also meet people from Belarus. It became sort of a thing that I could, as an American, I can speak Russian. So, I networked quite a bit with companies that also had employees in Belarus. And then also there was people that could vouch for me and make introductions that had offices in other countries. So it was like these companies that I worked with had one foot in Estonia or one foot in Milius, and

then they also had offices in Minsk. And then it was easy to get in there through introductions and okay, this guy's all right, he does good work. Much more so than any market research plan I could have bought. It was just so obvious to go based on who I already knew that was working in the region. Well, it's still really all about networking and connecting with the right people."

- Expert 20, Bhutan: "Knowing that I had the right community of contacts and network to be able to build this. And to give you examples on that, it wasn't just me who originally went over to Bhutan, I quickly brought over two or three of my former colleagues who were tech experts, who helped in the early phases of the project. I think that having key partners, or network, or advisors in that country before even establishing is most important. However, going back to my point, the relationships, and networking, and access is key. And I would imagine that doing it without that would be a lifetime of a challenge."
- Expert 10, Ethiopia: "It really was the network of people that was the deciding point. I would say that was the greatest impact, both in Ethiopia and outside of it. From within Ethiopia, we had a network of suppliers and potential partners because of our consulting work for this other company, which by the way, closed, that was the impetus for us to do it ourselves. On this side, we had a network of customers who were purchasing that coffee year over year, and a limited network of business advisors."
- Expert K, Kenya: "I have a lot of experience in Latin America and Asia, a lot is driven by who you know more than what you know. And that personal

relationships go a really, really long way in both Asia and Latin America, maybe even more in Asia."

- Expert G, Argentina: "I'd say it's always going to be easier if you have some partner at some level who knows where things are, how things get done, right? Just don't ... I guess the short answer Andy, don't go it alone, right."
- Expert O, Ecuador: "'Okay, now we know this guy with all of his uncles, brothers, cousins, this is the family we're going to work with and we're going to commit to. Okay, they can do this, and they know people who can do the rest of it. Great.'"

Culture. As discussed in Chapter Two, culture is a core component of the concept of cultural distance, which is related to, but distinct from, psychic distance. The concept of "culture" came up frequently in the interviews, as respondents discussed the difference between the U.S. and their target markets. However, it is clear from the interviews that the theme "culture" has two distinct meanings to individuals who are internationalizing. The first is a more broad, general understanding of a country's culture – "the norms, behaviors, beliefs, customs, and values shared by the population of a sovereign nation" (Berrell, 2021, p. 24). The second is the business culture, habits, or processes that the entrepreneurs were trying to establish as they set up their businesses in country. The latter of setting up company culture is exemplified by Expert 6, an American educator in Kenya, who met every Friday with her staff and students and said, "Hey, we're co-designing this education with you, so what's working? What's not working? How do we make pivots and changes for the following week?". She was designing a culture of inclusiveness and co-design that carried through to all parts of her organization.

Country Culture. Within the Uppsala model, both understanding of culture – country culture and company culture – play a role, and both were frequently mentioned in the interviews. Differences in country culture are at the very core of the Uppsala model. The initial 1977 model indicated that firms would decide to enter markets with the lowest psychic distance, defined as the fewest “differences in language, education, business practices, culture, and industrial development” (Johanson & Vahlne, 1977, p. 24), as these differences were found to be “important obstacles to decision making connected with the development of international operations” (Johanson & Vahlne, 1977, p. 26). This was tied to lowering risk and uncertainty as, “it has been assumed that reducing uncertainty has to do with the differences between the culture and institutions of the home country and those of the foreign country” (Johanson & Vahlne, 2009, p. 1423).

Most of the executives I interviewed entered their markets with some awareness of cultural differences – if not a clear view, yet – into how these differences might impact their businesses. As with the other aspects of psychic distance, they did not know the full impact, but they were aware that, as Dorothy told Toto, they were not “in Kansas anymore.” Over time, almost all easily adjusted and grew to appreciate the differences in cultural aspects between the U.S. and their new markets. And, as compared to other aspects of psychic distance – such as language and, especially, ethics – culture was not viewed as a deterrent to market entry, nor a significant barrier to success:

- Expert T, Egypt: “Yeah, I had a concern on the integrity of the people in Egypt as a culture. So, one of the Egyptian businessmen that I met over there asked me, ‘Do you know what our famous saying is?’ And I said, ‘I don't.’ And he said, ‘It's, may I be introduced to a good thief who will share with me his good fortune.’ And I thought, ‘Oh, that's bad.’ So, it's not a high integrity market that puts high value on honesty and integrity. So that concerned me that there would be under the table dealings required in order to be successful there. So, I think that was a concern for me.”

- Expert O, Ecuador: “The culture is also such that work is not a priority for people. It's not as strong, forward as in the States, where work is part of who your identity is. Here, it's very little to do with your identity, very little to do with who you are. It's just what you do, and then the rest of the times, they're family people. The weekends are always family. You go to the beach, there's kids and dogs everywhere and they're playing, and the fact that they just worked all week doesn't matter to them. Now they're out with their friends and we're on the beach and we're celebrating, because life's good, and, ‘I have nothing but life's really good.’ That was a unique way to get over it, so my go-go-go doesn't play here, and so that was a concern. How do I back off a little bit and still get the same results I need by managing my expectations, and elevating theirs and lowering mine to find a happy medium? Culturally was tough.”
- Expert N, Tanzania: “The ethics and culture, the biggest thing is just, obviously, it's a lot less black and white here than it is at home. So, some people here that I know that they'd be considered good people here, if they did the exact same things in the U.S., they'd probably be in prison. I didn't know to the extent of how little

the law actually matters in the country. And because that the law doesn't really matter, it's hard to predict what's going to happen."

- Expert G, Argentina: "The other piece of it was a bit Argentina, and same thing in Brazil, they don't really accept accountability responsibility, not a lot of them, right? I mean, a lawyer told me this, the easiest way to explain this to Americans and Brazilians, and it's the same in Argentina, is if you ask an American, can I cross the street? They're going to say, 'Well, yeah, but there's a bus coming around the corner.' You ask an Argentinian, can you cross the street, they're going to say 'Yes' and then you get hit by the bus, you're like, 'Why didn't you tell me that?' 'Well, you just asked me if it was safe to cross the street. You didn't ask me about what was coming around the corner.' So, there's this thing, they just don't want to accept responsibility for stuff. I've seen that across lots of Latin America. So, I think it was more that issue."
- Expert 8, Kazakhstan: "Now, one thing that was interesting from my wife's perspective is that Kazakhstan was known as a place that was notorious for husbands cheating and potentially dissolving the marriage and running off with local women. So that was a key issue as well."
- Expert P, Nigeria: "Learning that people regularly just when they see a plot of land that isn't used, go in and build on it and don't have a title or a property. Then, just crazy business practices, like wild business practices. Software developers commuting two hours one way from motorbike to tuk-tuk, to blah, blah, blah. That thing became more nuanced for me, and I was like, 'Oh, man, I'm glad I didn't know all of that because it was the right decision to go in.' But it is

drastically different to do business there. Even just to enter in, to bring high level executives to that airport is like, you either go completely under the radar or you go with a full security detail. It's thousands of dollars, and you don't do either one. You do one extreme or the other. That kind of thing."

- Expert 4, Belarus: "So you have to take concerns to not drink too much for one thing. Which in that culture, of course you're going to be expected to be doing some vodka and sauna and things like that. But at the same time, if you get a little out of hand, it opens yourself up to being framed by people that may be in the security apparatus there and you don't know who they are."
- Expert 3, Kenya: "But there's also more of a community dynamic of community meetings of people coming together to say, 'Yes, we want this,' or not. In Africa, there's very much, and in Kenya, the spirit of Ubuntu. 'I am because you are.' While in the U.S., we're very individualistic. We have different priorities around money, around religion. But fewer people in the U.S. are going to church, while more people in Kenya are religious. And the American idea of money, I have to take care of myself first. While in Kenya there is more, 'We all have to make sure that we're all covered. And if I can't pay my rent this month, that's okay.'"

Company Culture. The second definition connected to company culture also corresponds with later iterations of the Uppsala model, as it falls under the state variable of capabilities being viewed as a firm specific advantage (FSA). Vahlne and Johanson (2017) speak approvingly of the fact that Dunning and Lundan (2008) and Almodovar and Rugman (2015) expanded their eclectic OLI Framework paradigm definition of FSAs to include items beyond asset-based and transactional advantages: "At a later stage, 'soft' elements such as relationships and organizational culture, were added to the 'list' of acceptable FSAs" (Vahlne & Johanson, 2017, p. 1096). Thus, the example above of Expert's 6's weekly staff meeting to enhance company culture is a perfect illustration of her leveraging the Uppsala model state variable of capabilities. The respondents felt that working on developing a strong and supportive company culture that matched the culture of the countries they were in was a necessary part of a successful launch:

- Expert F, Guatemala: "For the last 25 years, I've been working with different cultures, Latin America, Middle East, Africa, and one of the things that I learned, in the hard way, is that there are certain cultures where they're not used to tell you no, that's not part of their language, that's not part of how they are. The culture one wants to establish at one's company is of total trust and that means both ways. If you don't understand that assignment, you need to tell me. And I learned many years ago that certain countries, especially with less educated people, that that's not the case. They tell you, 'Yeah, relax, you got it,' and then they come up with a totally different thing. So, one of the things I was concerned about is when hiring people and interviewing people was try to understand if they were willing to tell me and strongly say, 'No, I don't understand' or, 'I don't think it's right. I don't think that that's the best way to do it.' And I'm open to be convinced that way."
- Expert E, Ukraine: "The Ukrainian culture is very much about building a family type of thing. If you look at the office, we set up there, it's a slightly different than the North American. Culturally, it was very similar. It was very family culture. They wanted to take care of each other. They wanted to be part of an office, be part of a company, feel that they're contributing to something, which were all

some of the values that we had as an organization in terms of alignment from that perspective. I would say the office itself started to become a cultural hub for these people and that was something that was probably unintended, but they had an incredible amount of pride of having an office, of being part of an international company."

- Expert B, Ukraine: "We held sessions, trainings, cross cultural, that also. We also had a rotation program where we would send people over there for a few weeks to live and work from the office over there, and then we would send people from Ukraine to Boston to work in our Boston office for a few weeks as well. So, it was like rotation and people were very excited about doing that because people want to come to U.S. and for Americans to go to Ukraine is also cool because it's very nice there."

The final words on cultural difference come from two of the experts who, in their own ways, make similar points – cultural differences need to be considered and integrated into the market entry plan of any business executive, but they should not stop one from moving forward in this new country:

- Expert N, Tanzania: "So as I spent time there, I came to see, okay, behind the language difference and the culture difference and even the way that the society is structured, really the people are pretty similar. They want the same things, the economies, there's some tighter regulations and things, but it kind of works all the same. It became less mysterious, for sure."
- Expert 1, Guatemala: "And second is being willing to adapt to the country's culture full circle. Because if you try to go into a country doing it the American

way, you'll fail. You'll fail right away. Being willing to adapt and being willing to have... And like I pointed out, what I just talked about, treating everyone as an equal."

Security and Crime. In research focused on internationalization and the Uppsala model, personal security issues and crime are rarely, if ever, mentioned. The focus of this research is usually on the commercial and transactional nature of a market entry. Additionally, crime is not an issue that most business publications consider. However, my research, by definition, is looking at market entry into objectively high-risk countries. Crime is an explicit factor which is weighted when, for example, the U.S. Department of State determines the risk level for Americans traveling to certain countries (U.S. Department of State, 2019). Neither security nor crime is listed as an explicit factor in the S&P Country Risk Assessments Global Ratings, however "payment culture/rule of law risk" is (S&P Country Risk Assessments, 2022). While crime and security have not been factors in the development of the Uppsala model, as TV-watching, newspaper-reading Americans, it is hard to envision considering a market entry into some of the 64 countries without being at least aware of security risks.

In the responses from the interviews of this study, crime and security issues were mentioned, either as pre-entry concerns or as ongoing facts of life in some countries, but never given much weight or urgency. Interestingly, despite these interviews covering what are reported as high-crime countries, such as Angola, Argentina, Belarus, and Guatemala (World Population Review, 2023), crime was infrequently mentioned by the experts. It is possible that this discrepancy is because many of them lived in, and were well aware of being in, a separate safer "international bubble." The experts discussing market entry into Iraq and Kazakhstan explicitly mentioned living in secure compounds away from the average inhabitant. And while there are nine quotes below discussing their security concerns before and their lived experiences after entry, crime was not an issue that consumed much time in any of the interviews. Even Expert 2 – who discussed risk in Nigeria as the anti-Western terrorist group Boko Haram moved ever closer – mentioned startling risk almost in passing, while discussing the urgency of completing her hospital construction program:

- Expert P, Tanzania: "I kind of thought of it more, before I actually went there, [thinking] it was more dangerous."
- Expert T, Egypt: "But there had been uprising in Egypt. A couple of years back, they had what they called The Arab Spring, where they overthrew the government, and that was a bit messy. And a lot of the streets and industrial districts are either named 13th of Ramadan or 6th of October. Those are both the days that Egypt declares that they had victory over Israel and killed the Jews kind of thing. So, there's violence in the culture, and there's a history of having civil uprisings. So, this is something that definitely is considered."
- Expert S, Nicaragua: "Once you get off the beaten track a little bit, as I saw myself, there was a pretty significant likelihood of being robbed in those early years. I was robbed once on a public bus, where these locals put a tree in front of the bus, and they take everybody's cameras and wallets. That was in 2010 even before I purchased my property, but there was something that didn't seem ultimately menacing about it. It was more of a transactional ... I almost took pity on the people who robbed me and the many times that I was robbed there."

- Expert P, Nigeria: "Was crime an issue? It factored in. Was crime a major issue in our ... No, it wasn't because we had extraordinary leadership there and we had very high trust. I think at one point in time we had five computers stolen, five laptops stolen, Mac laptops, brand new ones, meaningful to a business. I think we had a handful of break-ins. We certainly had software developers that were mugged on their way in, but we had insurance for all their machines. No, it was never a major issue. Did it loom as a possible thing? Absolutely."
- Expert H, Jamaica: "I sensed huge amount of animosity towards American, I mean to the extent that people were actually stoning our bus when we were coming out into the marketplace."
- Expert D, Honduras: "There's parts of San Pedro Sula where all the gangs and all the drugs are. That's very different than where the business is, and where the business is, you wouldn't think you're in the worst place in the world. It's like there's good restaurants, there's good people, there's good hotels. And so, when I first went down there my very first time, I was nervous, and now I don't give it a second thought. I think you always have to be aware because the reality is on occasion there are kidnappings and stuff like that, but that happens so rarely."
- Expert 7, Iraq: "Yeah. Of course. There's still pockets of ISIS, terrorists are still operating in Iraq. Security, when you fly into certain places, depending ... If you fly in there'll be a security detail to take you from the door of the airplane to inside their facility. I mean that's important. You could be kidnapped. I mean, Iraq is a rough place. It's getting better, but security is a big, big issue there. In our situation where we go and work on a property that's surrounded with guards and

security is there, it's not like we're going into the marketplace in the city every day. Those are off limit kind of things. The hotels are secure. We assume the risk was much less."

- Expert 3, Kenya: "Kenya had a reputation for serious crime. Nairobi used to be called Nai-robbery, but now I think we're seeing about equal levels of crime between Kenya and the U.S."
- Expert 2, Nigeria: "Some of the sites were relatively close to Boko Haram activity. So, we were aware from a security perspective. So, I think the security concern was a big piece. So, we talked about how much kidnapping insurance do we need? How many security guards would we need? Who is appropriate to go on site? Should it be male or female? What race should we see if we can, between the team members, sort out who would be the most appropriate so that they're not a target. Those types of questions and decisions. At one point the site was attacked by Boko Haram, and it was like, great, they knocked down part of the construction, go rebuild it, we're moving forward, there is no stopping us."

Risk. The last issue I address under the third grouping of psychic concepts is the theme of risk – acknowledging the risks of moving into these challenging countries and then handling that risk for optimal performance. Understanding and exploiting foreign risks is core to the Uppsala model (Forsgren, 2016). Risk was directly addressed by most of the respondents but was generally taken in stride as the price of doing business. This is again unequivocally in line with Vahlne and Johanson's (2017) research, where they report, "risk cannot be reduced to zero – if decisions are not made, opportunities may be missed" (p. 1091). What sets this sample group apart from other samples is that they take on a relatively high level of risk to achieve positive outcomes. This is in line with the theoretical framework, as profitability comes from managing risk in uncertain situations, such that risk is "kept at an acceptable level" (Vahlne, 2020, p. 239). Managing risk and uncertainty are linked, but awareness allows these decisions makers to proceed with effective balancing decisions: "this makes uncertainty irrelevant as the decision maker need focus only on controlling downside scenarios" (Schweizer et al., 2010, p. 348).

Risk Management. On the whole, the business executives of this study are willing to internalize and handle much higher levels of risk than similarly situated individuals who have not made such overseas expansions. This is well represented by, for example, Expert T (Egypt), who, when asked about risk quickly replied, "I welcomed it. It's what I do. I thrive on uncertainty. And my whole thing is if you put the clay on the table, I'll make it into something." Expert S (Nicaragua), said that to deal with "uncertainty is a defining characteristic of people who will either make it through these meat grinder type places or not." Or, as simply put by Expert 9 (Maldives), "I have a much higher tolerance for risk," or Expert M (Tunisia), who said, "I'm not personally risk averse."

From these interviews, it is apparent that there is a calculated ability to focus not on complete risk avoidance but rather on risk management (Johanson & Vahlne, 2009). Uncertainty can be reduced with this combination of knowledge, skill, and risk controlling strategies (Figueira-de-Lemos et al., 2011). They perceive the risk, address the risk, and move on to the business at hand:

- Expert S, Nicaragua: "While the differences were absolutely huge between the U.S. and Nicaragua, I ultimately came to the conclusion that even though there was this giant gap, that it would not have a negative impact on my business, that it would in fact have a positive impact on my business. So, I'm not sure exactly where to put that on the one to 10 scale, but for me, in terms of risk, the risk was very low, even though the differences were very large."

- Expert 20, Bhutan: "So the risk was high. Both from the point that there wasn't actually an existing... The part of the industry that we were planning to involve ourselves in had to be built. It wasn't coexisting. We weren't just entering into market. And the second was the risks involved from what you were alluding to, which was more being a foreigner creating a company in a country that wasn't really used to doing that before. So, the risks were high all around. Very high. But everything on the building that part of the industry and creating that segment of what didn't exist before, there wasn't any kind of trust, support around that. That was just full risk."
- Expert 10, Ethiopia: "But everything on the building that part of the industry and creating that segment of what didn't exist before, there wasn't any kind of trust, support around that. That was just full risk. And then expectations play a large role here because in Ethiopia it's high risk, high reward, and the currency is constantly losing value, and it's very difficult."
- Expert S, Nicaragua: "I would say since I've been a young person, I've always had a very high-risk tolerance in general. I didn't know until I went to Nicaragua and launched on this path that has ultimately led me where I'm today, but the uncertainty is a defining characteristic of people who will either make it through these meat grinder type places or not. I felt comfortable with the uncertainty, and I

felt like I could answer it myself, the questions that needed to be answered, and I felt like I could convey that there was a way to address the uncertainty to others, conveying that instead of uncertainty through the right lens, something is an amazing opportunity, essentially."

- Expert B, Ukraine: "Commercially, I dealt with it by saying, 'Okay, we're going to do a pilot. We're going to hire 20 people and see how it's all going to work out.' And then if it doesn't work out, no big deal, then we just move out and be done with this commercially. So, I took a measured approach to the potential loss that we could have. Emotionally, I don't know. I did not experience any emotional concerns about that. I slept well."
- Expert 5, Azerbaijan: "And then, once this has been progress throughout the months and I'll say, 'Okay, risk is getting lower. Risk is still there but not that tremendous, not that significant.' And for entering a market like this, you also got to compromise. No step's going to be a perfect step and you're going to take from there."

Timing and Sizing of Risks. The rate of risk that befalls each of the participants can be controlled by the speed and level of resource allocation. Since the inception of the Uppsala model, Johanson and Vahlne (1977) have stressed the "the incrementally increasing commitments to foreign markets" (p. 23). At multiple times in their market entries, the respondents of this study made decisions about how many resources to allocate to the market. As individuals proceed on the change variable of knowledge development – learning, creating, trust building – opportunities become more attractive, as the risk appears less daunting (Vahlne & Schweizer, 2022). Conversely, if the risk was too high, decisions were slowed or stopped, as the model says they will be: “While exploitation is risky, that risk can be reduced by progressing in small steps and building successive commitments” (Johanson & Vahlne, 2009, p. 1420). There is also an apparent, direct relationship between trust, risk, and exposure. As the investment in a given country increases, more trust is necessary if the risk is larger:

- Expert N, Tanzania: “I didn't see it as a gigantic risk, because when I was entering the market, it was at a small scale, so it wasn't a lot of money. And so, one of the things that I am concerned about or was concerned about was being able to cover whatever I obligate my organization to supporting. And because it was such little money at that point and I had my personal income back home, I knew that if things got really bad, I could cover it, because it wasn't much money.”
- Expert A, Pakistan: “But also knowing that Day One, the risk was relatively low because the cost was low of this team. And what we were having them do Day One was not very high tech. It was very low tech. It was not high risk. And if they failed and it didn't work out, okay, we go back to where we were before and we continue to do what we had done the first half of that year.”
- Expert B, Ukraine; “As the office grew and I saw that we could really trust the person, then the trust became more important because the volumes became larger and the risk if something were to happen became larger, and at that point it was very important and critical, but at the beginning it wasn't.”

Over many hours of interviews with experts who had taken their small and mid-sized American companies into an eclectic mix of high-risk countries, I encountered a wide variety of themes. As these executives discussed their experiences, their experiences encompassed 45 different motifs, which I grouped into three logical and coherent conceptual categories – those of Country Entry Concepts, Market Concepts, and Psychic Concepts.

CHAPTER V: KEY CONCLUSIONS AND CONTRIBUTIONS

Having reviewed the three major aspects reported by the lived experiences of my interviewees – Country Entry Concepts, Market Concepts and Psychic Concepts – the nine subtopics, and many of the 46 individual themes they raised, I further elaborate on five key findings from my interviews. As demonstrated throughout Chapter Four, American small and mid-size enterprise executives utilize all aspects of the state and change variables in many of the same ways that the Uppsala model has predicted since 1977. But, there are key nuances and differences that have come out of this groundbreaking research, which are worth focusing on.

State and Change Variables Observed Though Rarely Explicitly Mentioned

First, and as a direct answer to my research question, I have shown that American SME managers actively incorporate many aspects of state and change variables when entering high-risk countries. Each of the state and change variables and various characteristics of the model – including knowledge development processes, commitment processes, knowledge opportunity and capabilities development, and actual commitment/performance – were noted as the experts retold their stories of analyzing, entering, and operating in these high-risk countries. From a research point of view, the various platforms of the Uppsala model were employed by the SME managers as they entered new markets. The specifics of the model were observed and documented in each of the interviews, though they were rarely if ever explicitly referred to by the experts.

For example, Expert H developed knowledge that a large percentage of the Jamaican population, while mobile phone literate, were not actively using traditional banking services. Without being aware of how her actions followed the path indicated by the Uppsala model, she then leveraged process ontology to enter this market and see if her firm's services would be successful. Her actions demonstrate the ways that "process ontology implies open-endedness: it cannot be known what will come out of a process" (Vahlne & Johanson, 2017, p. 1088). Likewise, Expert F in Guatemala, faced with 23 indigenous languages and a concern his Board would waiver in their support, shifted his operational model as the needs of the market called for change. But, he did so without knowing that his actions, when faced with a situation of uninspiring and perplexing execution, were exactly in line with what the Uppsala model indicated would occur, as "commitment may decline, or even cease, if performance and prospects are not sufficiently promising" (Johanson & Vahlne, 2009, p. 1412).

The experts I spoke with employed the Uppsala state and change variables but without articulating that these were the explicit processes they were utilizing. Each individual and firm brought a bundle of resources, skills, and strategic assets to their markets, but they never said, nor, I believe even thought, "we are now applying our knowledge and physical opportunity capabilities to the marketplace." Not one individual spoke knowingly of a pre-conceived "model" of internationalization, nor as mentioned previously, did any have awareness before our interviews of the concept of "psychic distance." And yet, their actions proceeded as specified by the Uppsala mode.

Utilizing a theoretical framework without explicitly invoking that theory is in line with other models. For example, Bingham and Eisenhardt's (2011) Rational Heuristic

Theory says that firms acquire a portfolio of heuristics that fit their learned experiences and provide guidance for future efforts. These learned heuristics allow these firms to engage with large groups of heterogeneous possibilities and identify and seize the most promising opportunities, similar to the Uppsala model's development of dynamic capabilities. And, just as I observed here, the heuristics "become few, strategic, and abstract" (Bingham & Eisenhardt, 2011, p. 1458).

Researchers seek to create artificial environments, where respondents speak knowingly of the key aspects of theoretical approaches. Though ideally my experts would have spoken in the exact language of the Uppsala model, that is not realistic. It is wrong to utilize research that

> "puts individuals into artificial laboratory contexts, provides stylized problems that are not strategically relevant (e.g., binary choices with correct answers), and limits opportunities to learn. In other words, by eliminating realistic contexts, research often 'stacks the deck'" against the normal recitation of actual experiences (Bingham & Eisenhardt, 2011, p. 1458).

My research shows that state and change variables are key aspects of the internationalization experiences of my respondents, but without explicit acknowledgement of their presence.

Interactions Among the State and Change Variables is Opportunistic and Varied Rather than Sequential and Unidimensional

As discussed in Chapter Three, the Uppsala model can show internationalization operating and moving in one direction, only with each step in the model happening in sequence in a cyclical motion. This was certainly the case in the early versions of the model. Both the 2009 version – which won the Journal of International Business Studies JIBS Decade Award as the most influential article of the prior 10 years (Johanson &

Vahlne, 2009, p. 1424) – and the updated 2017 version have arrows indicating a unidirectional sequential flow of action (Vahlne & Johanson, 2017, p. 1092). See Appendix A.

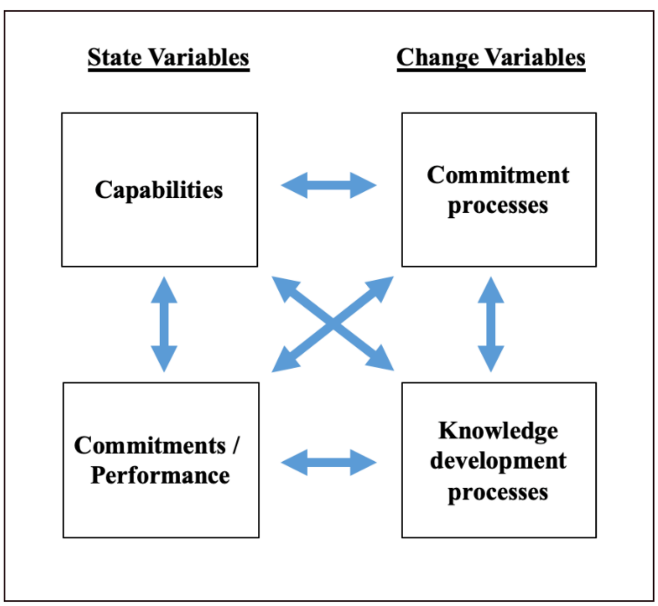
When viewed this way, the actions start in the lower right box of the change variable of knowledge development processes. As individuals learn about opportunities through networks and connections they trust and through experiential learning, these knowledge development processes get stronger. This leads to an increase in the upper right change variable of commitment processes, with greater pre-commitment experience and exposure, better market knowledge, and increased ability to deal with uncertainty and risk. A stronger commitment process leads to an increase in the upper left state variable of capabilities, where firm specific advantages and operational and dynamic capabilities can be put to use on this new market opportunity. In turn, the firm's stronger resources, skills, and strategic assets drive real performance results within the lower left state variable of commitments/performance. These positive results reinforce the firm's knowledge development processes, and the cycle continues. This cycle is the traditional view.

As recently as their 2017 article, Vahlne and Johanson indicate that the variable actions are intermittent rather than continuous, at least on the change variable side of the equation:

> The presence of the first type of change (intermittent process) explains why there are no vertical arrows between the sub-boxes of the change part, as the intermittent process of commitment (resource allocation) and de-commitment (withdrawing of resources): the continuous process of learning/creating/trust-building affect each other primarily through changes in the state variables. (p. 1092)

While viewing the Uppsala model this way explains internationalization as a series of incremental, intermittent, and sequential decisions, my respondents did not employ the state and change variables in such a unidirectional, progressive manner. Rather, the state and change variables were developed and exploited differently by each manager and not in a sequential or organized manner. My research shows that the commitment and entry processes Vahlne and Johanson (2017) describe as either/or is rather a series of small ever-occurring decisions that are driven by interplay with the other variables and that all four variables - two state, two change - interact in multiple directions. Such a model is visualized as Figure 6. This model, with arrows in all directions, further reinforces Vahlne and Johanson's (2020) explanation that sometimes in their model "the causal direction of relationships is unspecified" (p. 6).

Figure 5: Model of the Uppsala State and Change Variables as Observed When American SMEs Enter High-Risk Countries



An example of this is what happened to Expert P, as cofounder and president of a tech talent company entering the Nigerian market. She reported no prior experience in

Nigeria, but a base of involvement and skills gained in other countries. She explained, “I had never been to Nigeria at that point. I had been to Rwanda, I had been to Kenya, I had been across other countries in Eastern Africa, Malawi, Uganda at the time.” Under the state variable of capabilities, internationalization experience and skills, such as what Expert P developed, can become a firm specific advantage. In her case, this was applied cross ways to the change variable of knowledge development processes of learning, creating, and trust-building. She created an international “Dream Team:” “One Cameroonian, two Nigerians, one Canadian, two Americans, so a very, very international team” to explore this opportunity. She continued, “The idea for the business came about because of a large-scale convening in Kenya, where I brought my then friend, now co-founder, and we convened a whole group of business leaders to look at a large-scale collaboration, which did not work. But we ended up exploring other options, which then later developed into our company.” This led to the decision to engage the change variable of commitment processes and decision of which resources to commit: “Then, we did a test case in Nigeria early on before starting the full-blown launch there.” The success of the test case and launch fed greater market knowledge development. These decisions show the successful utilization of the state variable of commitment/performance, though this bouncing around between the variables is less structured than the Uppsala authors originally envisioned it.

Another example is what occurred to Expert K, the Chief Operating Officer and Managing Director of a global logistics company that entered Kenya to set up a transportation handling depot. They had a main global “Anchor Client,” who asked them to move in-country to service that client within Kenya. Due to this key account, which was a well established network link to them around the world, they already had a well-developed commitment processes. Because of this, they were able to move directly from the commitment process to commitment by partnering with a local Kenyan company and creating (Commitments/Performance) a joint venture entity. He then used his networking or relational capabilities (under State variable of capabilities) to connect with individuals who could help move the project forward, saying, “I have a lot of experience in Latin America and Asia, a lot is driven by who you know more than what you know. And that personal relationships go a really, really long way in both Asia and Latin America, maybe even more in Asia.”

Simultaneously, he went in-country and engaged in a more robust knowledge development process, reporting, “The traffic is absolutely horrendous from Nairobi airport to Nairobi downtown, good day, two and a half hours, bad day, six hours. So that adds a lot of time when you're in a time critical business. So how are we going to handle that? Was it better at night? Could we do a lot of it in the middle of the night? Could we make pickups from the airport and deliveries into the city at night?” Based on the state variable of commitments / performance outcomes, he could move both up to greater capabilities and over to the right to more refined in-country knowledge development processes.

A third example is Expert C’s experience in Ecuador. Expert P was a cofounder and president of a tech talent company. The Uppsala model says that firms and managers develop greater market knowledge by experiential learning (Vahlne & Johanson, 2013), again part of the knowledge development processes before moving up and then over to the left and into the state variables. However, Expert C explained his direct movement from market awareness to commitment when presented with an attractive market opportunity. There is no straight line towards a market launch, and the process can be quite ugly – "what is conceived as a single, coherent process is actually itself composed of multiple and sometimes even conflicting processes" (Welch & Paavilainen-Mäntymäki, 2014, p. 16). When asked about the order and rationale for market steps, he explained that, "Peru was the first one. Chile was the second one, Ecuador was the third, and Panama was the fourth. Actually, yeah, and then we acquired a company in Bolivia, but it was more opportunistic rather than, 'Oh, we did a lot of research.' It was more, 'we found a good multiple that we could acquire our company for.'" In this example, Expert C's opportunistic use of the variable toolkit was executed by a direct move from the lower right box of knowledge development processes across to the lower left state variable of commitments/performance.

I know from firsthand experience that there is no straight line towards a market launch, and the process can be quite ugly – "what is conceived as a single, coherent process is actually itself composed of multiple and sometimes even conflicting processes" (Welch & Paavilainen-Mäntymäki, 2014, p. 16). My findings are in line with others who have pushed back on the deterministic and unidirectional assumptions of most internationalization research (Lamb & Liesch, 2002). Welch and Paavilainen-Mäntymäki (2014), commenting on the Lamb and Liesch's (2002) research, reiterate that the internationalization "constructs are difficult to separate, the direction of causality is not clear, processes are interlocking and international development may not be linear" (p. 12). Even the Uppsala authors imply as much in some of their most recent writings, finding the state and change variables are constantly interacting with each other in a "a continuous and dynamic interplay" (Schweizer & Vahlne, 2022, p. 584). These findings are consistent with what I found, that the Uppsala model holds, but its application is multidirectional, opportunistic and varied.

Issues of Psychic Distance did not Deter Market Entry

As discussed in Chapter Two, psychic distance is a bedrock principle underscoring the Uppsala model, with internationalizing firms moving into psychically close markets first because of their familiarity and lack of problematic diversions (Johanson & Vahlne, 1977).

I posit that one reason American small and mid-size enterprises are underrepresented in many interesting but challenging markets is that these high-risk markets create a level of concern for managers due to the managers' perceptions of differences in culture, language, religion, business practices, ethics, etc. In turn, a key motivator for this research is to understand how those managers, who have entered high-risk markets, understood and dealt with the distance between the U.S. and those markets both before and during their internationalization journeys.

Regarding the lived experiences of the executives I interviewed, many of them were well aware of the differences between the U.S. and the countries they were entering, but they did not let their perceptions of those difference keep them from moving forward. This was evident at several points in the interview process, as, for example, they discussed country-specific issues they perceived before entering. Again, as they explained their quantification of the psychic distance between the U.S. and those countries and how they viewed those gaps. However, it is worth adding a caveat here that these interviews were done with executives that had made the decision to proceed with a market entry. This research project did not observe individuals who were faced with these same psychic distance issues and made the decision to forgo the market opportunity.

Before being introduced to the academic term of "Psychic Distance," each respondent was asked a general, open-ended question to see if any of the issues connected with psychic distance would be spontaneously raised. Respondents were asked: "As you were deciding to enter XXX, what were the main, country-specific issues you considered?" After listening to their initial answers, I sometimes followed up with a secondary question: "Were there any issues that created concerns or gave you pause?"

In this part of the discussion, less than half of the respondents mentioned issues related to culture, language, religion, business practices, ethics, or other related topics. Many of the individuals answered with traditional business-related matters regarding concerns about currency fluctuations, economic considerations, government regulations and regulatory considerations, employment laws, customers, competition, consumer buying power, operational feasibility, supply chain concerns, and other associated matters. Many also focused on connecting with and hiring the best employees possible to staff up these new ventures. The quotes below demonstrate this recurrent theme, all raised during the pre-entry phase of the interviews:

- Expert A, Pakistan: "My biggest concern was competence. What I want is, 'Okay, well, the type of talent we need, what would my concerns be?' And my biggest concern, really maybe my only concern, was [employee] competence."
- Expert K, Kenya: "The first was staffing. We knew we were going to need at least one operationally experienced person on the ground. Did he have or know someone, or we were going to go through a recruiting process."

- Expert P, Nigeria: “It was mostly the depth of the tech talent pool. The talent marks are off the charts, the depth of the talent pool, the amount of young people that are interested in software development careers, that are interested in coding at the entry level, no doubt the numbers heavily favor Nigeria. Then, if you look at the business environment and ease of starting a business there, it was not favorable. Many other places looked like the flip, looked like the opposite, but I ended up making a bet on the talent.”
- Expert W, Angola: “So no other contractors had the engineering capability in country or the manufacturing capability in country. So, I put my head on the block that this was a fantastic opportunity. My analysis of the local labor to fulfill that engineering need or manufacturing need, great sources of local talent all on trend.”

This is not to say that psychic distance issues were never considered before entering these markets. Rather, their concerns around language, corruption, gender, and cultural differences were noted and were very real issues that had to be overcome, but they were not seen as barriers to entry.

- Expert B, Ukraine: “Yes, corruption. Possible extortion, also currency concerns. Government representatives over there do not make a lot of money from their salaries, so they end up looking for bribes and for different payouts. Extortion. They would have let's say the police. The police would get in cahoots with local government or a judge or something, and then they issue an order that you're doing something illegal or whatever, just make something up.”

- Expert J, Turkey: “So Middle Eastern culture is very much behind Western culture in terms of equality between men and women, equality between classes. And they don't quite have a caste system there, but there are definitely classes in Turkey. And then language and culture and training.”
- Expert L, Congo: “So it's the Congo, number one. Very complicated country by the way of politics, and warfare, poverty. It's not the place you pick on a map to ideally go for vacation or work, actually. It's not known as an easy country to do business with because by the time you start looking at signing contracts and trusting people in your business. Especially for our business, you're talking about the regulators. And you have the official regulators, and then you have the unofficial regulators. The people that regulate the regulators that you unfortunately, have to get past them in order to do business in some form of official way. I don't know how else to say that in a nice way, but it's the Congo.”
- Expert 8, Kazakhstan: “Corruption was one of the main ones, because as we get more of a footprint in country, how much more exposure are we going to have to corruption? How can we make sure that our local partners and local employees are acting in accordance with our values and our rules?”
- Expert O, Ecuador: “One of the issues, I mean, there's a lot of issues. One was obviously the language barrier, for a lot of people coming into this market, was an issue.”
- Expert V, Lebanon: “Lebanese culture in general is very entrepreneurial, and as a country, they have had many challenges to develop a growing economic environment. And so, Lebanon in one hand had all these ingredients of

> entrepreneurs and businesspeople that have been very successful, and that wanted to give back or to see their country improve. And at the same time, had that entrepreneurial blood. The culture in Lebanon was very aligned to what I was looking to see."

The lack of deterrence from issues of psychic distance is best summarized by Expert 2, who as a project manager for a global health services network, and as a self-described "mid 20s white girl," went into Nigeria and against strong odds set up a hospital in the countryside. After discussing issues of crime, kidnapping, and terrorism, she explained: "We were also quite aware of the level of corruption that existed. And so that was something that we were aware of and wanted to navigate, but it certainly wouldn't necessarily deter us from going in country." Likewise, Expert 4 explained: "Well, it's weird. In Belarus before you go, there's kind of a reputation for crime, for corruption and things, but that was not my experience." This perceived indifference and casualness in the face of grave differences is a hallmark of these international business explorers. The fact that psychic distance did not deter market entry is directly in line with other studies which demonstrate the ways that "market selection is based on opportunities for their product in foreign markets rather than psychic distance" (Safari & Chetty, 2019, p. 763).

Next, there is a clear awareness of the distance between the U.S. and their target markets in how they rank their perceptions of psychic distance. In the early stages of each interview, after I briefly introduced the concept of psychic distance, I asked each expert to recollect their sense of psychic distance before they entered their target markets. I asked the following question: "I want to focus on your personal perceptions of your company entering XXX? Thinking about the non-geographic psychic distance between the U.S. and XXX and the related business challenges – with one being ‘no real difference/does not impact on my business at all’ and nine being ‘very great difference/impacts on my business very much’ – what was your perception of the difference between the U.S.A. and XXX?”. Most of the respondents were aware of the distance created by these issues, with 24 of the 34 (71%) rating their sense of the psychic distance as a five or higher.

Also in line with research on psychic distance, those individuals who had a healthy and realistic awareness of that psychic distance reported better outcomes for their business endeavors. Towards the end of the interviews, each expert was asked how their business performed in country versus their initial business plan and goals to determine a Goal Achievement Score (“GAS”). They were asked: “On a scale of one to nine – where nine is ‘Achieved all our goals/extremely successful’ and one is ‘Achieved none of our goals/extremely unsuccessful’ – how would you rate your situation today in XXX?”.

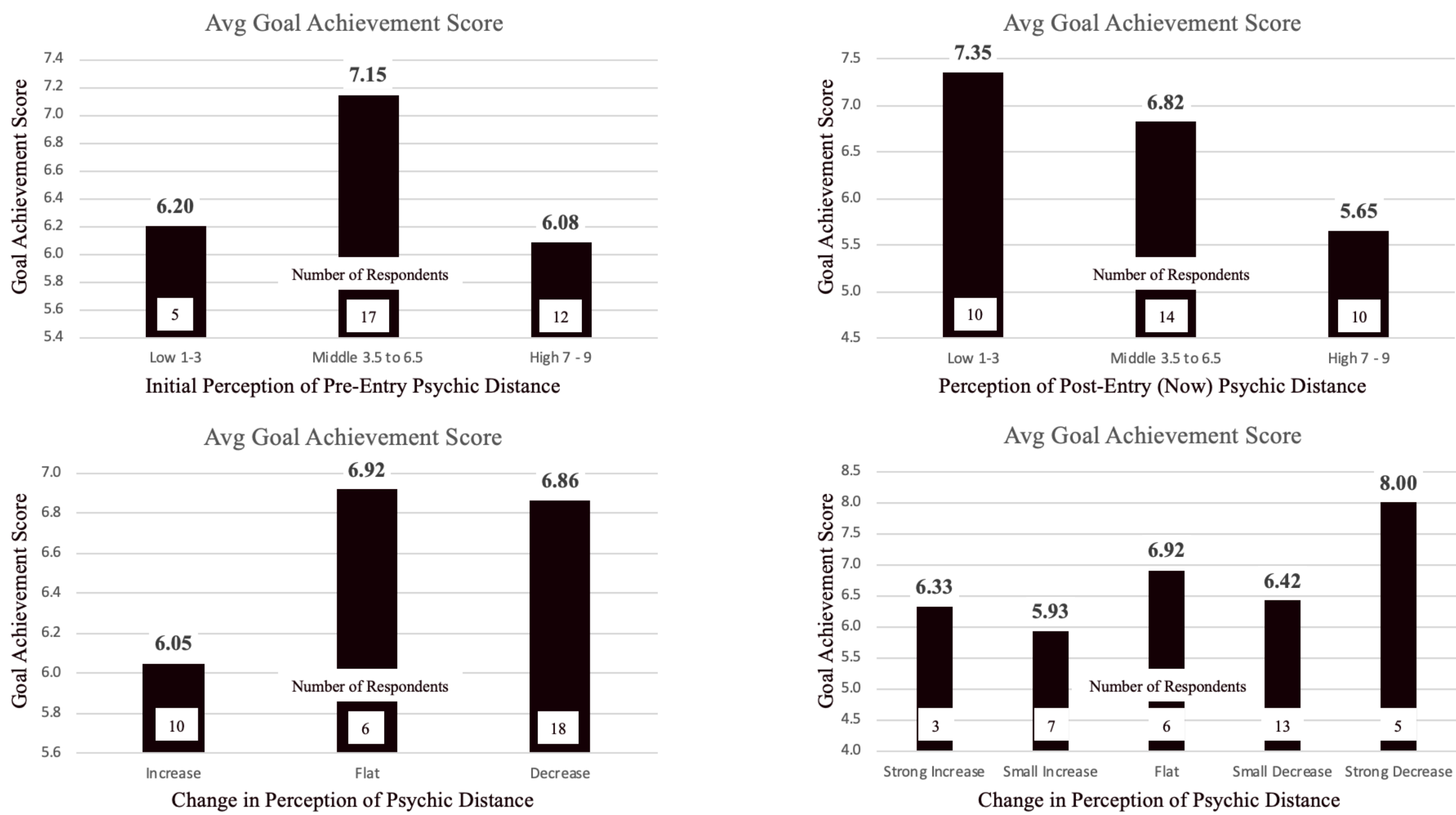
Individuals who reported an initial perception of pre-entry psychic distance in the middle of the one to nine scale – with self-reported rankings between 3.5 and 6.5 – reported a higher GAS at the end of the interviews, averaging 7.15. This data compares to respondents who had earlier reported either a low psychic distance pre-entry score of one to three, averaging 6.20 GAS, or a high psychic distance score of seven to nine, averaging 6.08 GAS. The numerical responses of the experts’ perceptions of psychic distance before entry (question 4), after entry (question 13), and their firms’ GAS (question 14) are listed on Table 1. Figure 7 shows the goal achievement score versus the perceptions of pre-entry psychic distance, post-entry psychic distance, and charted versus the change in psychic distance between the pre- and post-entry scores. From these interviews, it is apparent that psychic distance and its related elements are not concepts that slowed market entry and concerns of psychic distance are overcome by moving forward and being in country. A healthy awareness of psychic distance differences was connected to better self-reported company performance goal achievement outcomes, as was a decrease in psychic distance perceptions over time.

Psychic distance is not an explicit part of the Uppsala model of the interactions between the state and change variables shown in Appendix A, nor is it explicitly shown in Figure 5. Rather, what this research shows is that the state and change variables are the tools that decision makers utilize to deal with psychic distance as they enter new markets. The experts used their tool kits of variables to address psychic distance and to navigate the challenges of international market entry. Those that were good at leveraging those skills were not too scared to successfully enter.

Table 1: Perception of Psychic Distance Before Entry, After Entry, and Firm's Goal Achievement Score

Ref #	Country of Market Entry	Perception of Psychic Distance Before Entry	Perception of Psychic Distance After Entry	Goal Achievement Score ("GAS")
W	Angola	9	7	6
G	Argentina	5.5	7.5	7
5	Azerbaijan	6	6	7
4	Belarus	6	2.5	9
20	Bhutan	5	2	8
L	Congo (DRC)	6	9	7.5
C	Ecuador	3	7	2
O	Ecuador	7	8	6
T	Egypt	3.5	3.5	9
10	Ethiopia	3	9	9
Q	Ghana	8	7	1
1	Guatemala	7	2.5	8
F	Guatemala	1	9	8
D	Honduras	7	7	3
7	Iraq	6	2	9
H	Jamaica	6	4	6
8	Kazakhstan	7	6	4
3	Kenya	7	4	8
6	Kenya	4	5.5	6
K	Kenya	6	3	4
V	Lebanon	5	2	8
9	Maldives	6.5	6.5	7.5
U	Mozambique	9	9	7
S	Nicaragua	9	5	9
2	Nigeria	4	3	6
P	Nigeria	4	6	8.5
A	Pakistan	6	6.5	3.5
I	Rwanda	4	2	7.5
N	Tanzania	3	5.5	3
M	Tunisia	8	2	5
J	Turkey	6	6	8
B	Ukraine	7	4.5	7
E	Ukraine	2	1	9
R	Zambia	8	4	9

Figure 6: Goal Achievement Score Versus Pre-entry, Post-entry and Change in Psychic Distance



Trust is the Most Important Factor in Their Perception of a Successful Entry

Throughout these interviews, one message that is more consistently stressed than all others is that trust is a fundamental factor in the experts' perceptions of a successful entry. As explained in Chapter Four, without trust being developed and leveraged on all sides, American small and mid-sized company businesspeople cannot achieve market entry and success in these high-risk countries. And as reported above, trust also links directly with the importance of connections and building strong in-country networks.

This linkage between trust and networks aligns with the Uppsala model under both state and change variables, since trust-building leads to networks and strong relationships under the knowledge development processes. Networks and relationships also allow commitments and positive performances to occur in country under the state variable. The importance of trust is stressed in other schools of internationalization. Buckley and Casson (2009) discuss how the development of trust can allow for a reduction in the effort and expense of monitoring network compliance. They explain: "The exercise of mutual forbearance allows the build-up of trust, which is, in itself, a transaction cost-economising investment" (Buckley & Casson, 2009, p. 1577). Likewise, scholars that study transaction cost economics (TCE) focus on trust and report that, "expectation of these reciprocal acts (trust behaviours) results in a reduced need for monitoring and control" (Brouthers & Brouthers, 2003, p. 1190).

In addition to the mentions in the psychic concepts section of Chapter Four, there are several more references to the importance of trust throughout the interviews. As these experts indicate, trust is essential; coupled with having strong in-country partners, a robust set of connections/networks and hiring trusted employees, it was indispensable as these American SME's leveraged the state and change variables for success:

- Expert 7, Iraq: "It was all trust. That was all trust, 100% there. But it was billed up by about a year and a half of relationship that we performed the services to the client's satisfaction so that they would actually pass. It was a two-way trust."
- Expert 4, Belarus: "They have to trust you to do a good job and that comes from referrals from people that they respect and trust. If they don't trust you, that's it. And if you have a bad reputation, that's it too."
- Expert 3, Kenya: "Trust is huge. Trust is fundamental. I say of half of the success for our program is the technology, but the other half is community engagement."
- Expert G, Argentina: "We were a bit traditional. We date before we get married, there was a high level of trust with the seller."
- Expert L, Congo: "So, trust was huge because I wouldn't have been successful at all if there was no trust at all."
- Expert 9, Maldives: "I mean, everyone says relationship building is important for business anywhere, but especially in these countries, it's huge. It's huge. It will open doors. If you're there in person, and meeting with people, and calling them, and treating them out to dinner, nice dinners, it'll open such huge doors, and get you access to the right people because the wealthy and the powerful is smaller in these countries, and it's easier to access. And you just can't do that by phone or email. We're used to picking up phones or emails here. Some of these people don't even have email addresses. That means you need to just be out there. And the

power of that in-person relationship building, it can't be understated in Maldives, especially, and in countries like the Maldives."

Ethical Questions and Rampant Corruption are Significant Impediments to Success

Ethical uncertainty, especially unrestrained and widespread corruption, is almost uniformly seen as the biggest challenge to success for the respondents in these high-risk countries. As mentioned in the psychic distance entry section, pre-entry concerns about corruption were perceived and acknowledged by many of the experts. But, those pre-entry concerns did not stop them from going in country. From the interviews, it is apparent that once in-country, corruption does play a major role in their business and personal lives.

In the last 40 years, ethical issues have become a hot-button topic for U.S. companies moving overseas. Global firms are under increasing scrutiny to perform their international expansions in ethical and appropriate ways, both to follow general, moral prescriptions and, in the United States, to avoid difficulties with the Foreign Corrupt Practices Act (FCPA). In response to a series of bribery scandals and other ethical missteps, in 1977 the U.S. Congress passed the Foreign Corrupt Practices Act (FCPA) and revised it in 1988. FCPA explicitly prohibits U.S. firms from unethical behaviors by utilizing a "two-pronged approach to control the supply side of corruption: (1) anti-bribery provisions; and (2) accounting . . . provisions" (Darrough, 2010, p. 255). While the enforcement of FCPA has been lax, and its effectiveness repeatedly challenged, the number of actions under FCPA jurisdiction has increased over time (Cragg & Woof, 2002; Weismann et al., 2014). Additionally, the SEC is ramping up enforcement and targeting both large and small companies for international ethics violations (Huskins, 2008).

A business problem this research addresses is the underrepresentation of U.S. SMEs entering high-risk countries, and corruption is one of the reasons for this dearth of foreign direct investment (FDI). Cuervo-Cazurra (2006) shows that home country laws against bribery abroad, such as the U.S.'s FCPA, act as a deterrent to investments in countries abroad. Time and time again, these experts said that they regularly observed corruption, which made their market entries more challenging. Such corruption "increases the cost of operating abroad, as well as the uncertainty and risk involved" (Cuervo-Cazurra, 2006, p. 818). Though not studied in my research, Cuervo-Cazurra's (2006) study also highlights the reasons that other home country investors, such as those from China or Russia, perform better than American investors in these high corruption countries. As these businesspeople may already have direct experience with corruption at home, they are not deterred by corruption abroad. Research shows that "investors from countries with high levels of corruption appear not to limit their FDI in other countries that also have high levels of corruption" (Cuervo-Cazurra, 2006, p. 818).

Opportunities for ethical missteps when moving into a new international market are rampant, as recounted by the respondents. Ethical questions and concerns did not keep them from entering these markets, though upon reflecting on years of executing business in the markets, corruption was mentioned by 32 of the 34 respondents as a central factor in their business lives. A few, like Expert T quoted below, indicated that they avoided any interaction with unethical behavior, but many needed to be a bit more nuanced in how they handled these ethical predicaments and encounters:

- Expert 2, Nigeria: “What is normal in Nigeria of, well, you have to pay the police and the local mayor and that's just how you operate and get business done. Whereas in America, that is not allowed and not okay on any level.”
- Expert 6, Kenya: “In Kenya, of course when a government official comes to you and asks for money, it is different. Sometimes it can be a little bit more blunt as well.”
- Expert 7, Iraq: “Well, it's ethics. Hugely corrupt country. Hugely corrupt.”
- Expert J, Turkey: “And fortunately I had relationships with them, that they would tell me, ‘Yeah, we had to bribe this dude, we had to hire this guy. We had to whatever to grease the skids to make it all happen.’ And there's ways of bribing without bribing. Paying someone, hiring them as a consultant, them billing you for 40 hours a week, and they're working two. You know what I mean? That's basically the same thing, you know what I mean?”.
- Expert K, Kenya: Speaking about previous experiences, “In Latin America, the corruption was very, very scary. I saw some things there with payoffs and stuff that were like, ‘Oh my God, can I get out of this alive?’ I actually was caught in a bloodless coup in Caracas, in Venezuela.”
- Expert 10, Ethiopia: “Oh, well, so-and-so didn't pay the bribe, and so they didn't get power to their house for a week. One of my close friends was put in jail for two years, missed the birth of his youngest son because he refused to bribe someone, and he was accused of tax fraud, he was put in jail for two years in a maximum-security prison.”

- Expert O, Ecuador: “The power, we don't have it, to a certain degree. We may think we have it, but in any moment, an official or a police officer can come by and say, ‘You're done for the day.’”
- Expert T, Egypt: “And then finally, just stay away from the whole bribe, pay a little here, pay a little there thing. Because once you pay a little and you're identified as a payer, then no one will do anything for you until you pay them, because they know you're a payer. So, you have to keep it honest and upfront, and you have to say upfront and honestly, ‘We're not going to do that. If it's required to do that, we're out,’ and then see how it goes.”

While language hurdles were also frequently mentioned, they were not seen as a significant roadblock to entering a challenging market. Rather, corruption was often referred to as the biggest challenge to accomplishing their missions.

Implications for Literature

The purpose of research is to make significant contributions to one’s field of study (Locke et al., 1997), and this research will have theoretical and practical impacts. The single most significant contribution of this research is that it both reinforces the centrality of the Uppsala variables to market entry and demonstrates that American SME managers are able to leverage trust and connections to overcome psychic distance and rampant corruption to succeed within high-risk countries.

The Uppsala model is viewed as the leading explanation of how firms internationalize, but even after almost 50 years of work, significant questions remain unanswered. This is the first project to focus on application of the Uppsala model to American SME managers as they review movement into objectively high-risk markets.

As such, I add to the theoretical understanding of how decision-makers utilize the state and change variables as they are entering a new market. Many firms are put off from entering high-risk countries due to the psychic distance between their home and target countries, which can cause leaders to delay or block entry and miss significant market opportunities. The academic research on the topic of international market entry and psychic distance, while robust, has remained ambiguous (Morschett et al., 2010; Johanson & Johanson, 2021). Prior to this research, psychic distance has been an under studied topic, which called for review and full problematization (Alvesson & Sandberg, 2011). Research into American SME's entry into challenging markets had been non-existent.

My research confirms that these decisions makers do utilize the Uppsala state and change variables, but in a much more opportunistic, varied, and non-directional way than Johanson and Vahlne (1977, 2009) envisioned. Managers utilize the variables of knowledge development processes, commitment processes, knowledge opportunity and capabilities development, and actual commitment/performance, as indicated in the various Uppsala model iterations of the last 45 years. But, my research shows that these variables are used in a multi-directional manner, with actions likely to be horizontal, vertical, crossways, or perpendicular rather than the normal sequential flow preferred by Vahlne and Johanson (2017).

My research also demonstrates that even when managers perceive meaningful distance due to differences of languages, religions, education, cultures, business practices, ethics, etc. – psychic distance – between the U.S. and their target market, that perception of distance does not deter their market entry. A healthy awareness of psychic distance corelates to a more positive reported goal achievement once the market entry is completed. Finally, just as Johanson and Vahlne (2006, 2009, 2013, 2017, 2020) stress, this research further cements the importance of trust as a bedrock principal in creating a successful market entry.

Implications for Practice

My research findings will allow international business practitioners to contemplate entry more easily into challenging markets. While not creating a fool-proof blueprint, awareness of the issues raised in these interviews, the specific and fruitful country entry, and market and psychic concepts utilized by these experts will be helpful for firms considering commercial opportunities in psychically distant countries. From a practical perspective, such an understanding may give American businesspeople greater confidence when considering potentially rewarding markets from which they are currently shying away.

This study allows business leaders to better understand the underlying forces influencing their decisions such that they can make clear-eyed, rational entry mode decisions, as they would entering a country with a lower psychic distance score. Knowing about the importance of having strong in-country partners, having a robust set of connections/networks, and hiring trusted employees will be essential as future international decisions are considered. Likewise, being clear-eyed regarding the very real threats of ethical predicaments, while knowing these can be addressed and survived, should be a confidence builder for otherwise warry business leaders.

Limitations

While this research project was well designed and well executed to lead to interesting and beneficial findings, it is certainly not without its limitations and shortcomings. For example, all of the expert responses were self-reported, leading to concerns around social desirability, exaggeration, and self-report response bias. A separate research project could attempt to match the respondent's reported actions to independently documented actions from company documents and outside news reports.

As I was considering managers' perceptions of their internationalization actions and perceptions of psychic distance ex post, there remained uncertainty as to what I was measuring – the actual perceptions or the memories of the perceptions (Dow & Karunaratna, 2006). Additionally, since all individual observations and comments on the state and change variables came, in each expert's case, from the same respondent, there are legitimate concerns around common methods variance bias and how this might limit the validity of my findings. I minimized these issues somewhat by utilizing a straightforward consent form as well as clear instructions so that my respondents were motivated to be as accurate as possible (Jordan & Troth, 2020).

My research question and entire research project were specifically and explicitly geared to the experiences of U.S. businesses. As such, it is not clear that my findings can be generalized to any other country. Likewise, as I limited my sample to small and mid-size businesses of less than 2,000 employees, my findings may not be fully representative of the population of companies with more employees. With a robust sample size of 34 individuals entering 28 countries, my conclusions should be representative of the views of American SME business leaders, but clearly not of those from other countries.

Additionally, even with extensive exploratory interviews, there may be a limitation of omitted variables – it is likely that there are a substantial set of factors that influence these relationships that I may not have asked about or captured.

Since I spoke with individuals who had entered into these markets and did not speak with those who considered and decided not to enter, there is a limitation of survivorship at play. A different project would seek to interview those that walked away from a potentially high-risk market entry to see how they viewed these markets and their opportunities.

This research was completed with each individual at one point in time, and I did not explore any longitudinal effects regarding the changing of international managers' perceptions. It will be left to another study to review how these impressions change over time. Nor did this project track any firm's performance over time to see if the outcomes change with further involvement in the high-risk country. As all interviews were completed in late winter and spring of 2023, it is possible that a change in global or local conditions may change the findings and conclusions.

Researcher Assumptions/Role of Researcher

Interpretivism says that "reality" is subjective, and the world can only be seen as filtered through the personal and idiosyncratic interpretations of observers and reporters (Trent & Cho, 2014). My goal with this research was to affirm or challenge the Uppsala model of internationalization and psychic distance by working directly with decision-makers who have specific knowledge about this subject matter and have practices that shed unique light on my subject (Zeithaml et al., 2020). While I want to tell their stories, I also acknowledge that my own subjective interpretations are written into this study's narrative. This is not inappropriate as, in qualitative research, “researchers are encouraged to include their own personal perspectives in the interpretation of findings” (Stake, 1995, p. 135). Reflexivity involves acknowledging my own active and engaged role in this research, while being honest and reflective, in a critical way, on how I came to the conclusions that I did, as well as acknowledging that bias and subjectivity impacted my decisions (Trent & Cho, 2014; Bloomberg & Volpe, 2018).

I undoubtedly brought a fair amount of “baggage” to this study of high-risk countries, psychic distance, and international expansion. I have been in the world of international business development for the last 35 plus years and have done business in 98 countries. I have worked on the ground in S&P Global Ratings “High risk (5)” and “Very high risk (6)” countries, including Lebanon, Bangladesh, Cambodia, Argentina, Ethiopia, Egypt, and others. While some executives of American small and mid-sized business might find China and other Asian countries daunting, I lived and worked in Japan for two years, traveled to over 30 Asian countries, and have spent over 20 years regularly traveling to China on business. In 2019, before COVID shut down international travel, I made six separate business trips to China.

I am a committed internationalist, and am deeply committed to international cooperation, trade and travel. I travel aggressively for business, in 2019 taking 255 flights of 345,000 miles to 26 different countries. If psychic distance is a personal, perceptual issue, with each individual “defining the domain of the phenomenon” (Prime et al., 2009, p. 190; Sousa & Bradley, 2006), I have a very low perception of psychic distance in relation to almost all countries; my goal is to do business in 150 or more countries. All of this contributes to my frame of reference, which I cannot completely separate from my research work.

However, I have been ethical and transparent with this research. I also acknowledge my personal bias that U.S. SME managers should not let psychic distance concerns between the U.S. and other countries keep them from expanding their businesses into those potentially lucrative markets. My internationalization background is an integral part of who I am as both a researcher and person, and it has certainly influenced my personal, professional, and scholarly experiences.

Final Conclusions

This is the first study that has focused with a deep "emic" insider's perspective into how American small and mid-size company decision makers utilize the Uppsala model's state and change variables to entry and succeed within objectively high-risk countries. By completing 34 detailed semi-structured interviews with executives who have recently made a significant financial or resource commitment to enter 28 different challenging countries, I am able to report on their trials and their successes.

Evident is that, as Johanson and Vahlne's (1977, 2009, 2017) Uppsala model of internationalization indicates, managers leverage a robust combination of capabilities, commitment processes, knowledge development processes, and actual commitments and performance in order to move forward with their internationalization plans. Their actual utilization of these variables is more multi-dimensional and varied than the traditional sequential approach implied by many of the Uppsala iterations. The state and change variables are utilized differently by each manager and not in a sequential, organized manner. I find that the model holds, but in practice in these high-risk countries, the model is applied in an opportunistic and varied way.

These high-risk countries are very different than the U.S., and these experts are aware of these differences usually before entry, and certainly after working in country for some time. A healthy awareness of psychic distance differences among the experts was related to better self-reported outcomes, as was a decrease in psychic distance perceptions over time. Before entry, psychic distance was not a concept that the decision makers were consciously aware of, nor was it a set of issues that worked to slow market entry. While American SME are underrepresented in these types of markets, the individuals I interviewed had entered, often where others were too scared to enter. These experts were generally very risk tolerant, if not outright risk-seeking, and were able to tolerate trials and tribulations that would have caused many others to turn back.

Trust is the most important factor for a successful entry, mentioned by almost every single expert. Hiring trusted employees, having trusted partners, and being able to leverage a network of trusted connections were essential to overcome the aspects of distance that make these markets so unusual.

Finally, extensive and often unbridled corruption and a constant stream of potentially ethically jarring decisions were a given reality for these businesspeople in their daily professional and personal lives. While most indicated that they did not actively participate in unethical behaviors, they were constantly aware of situations where colleagues, vendors, government officials, and customers expected something unethical from them.

What is exciting to observe is that these 34 executives were able to make the leap into 28 different, often unknown and untried, markets and were able to create business opportunities where others might have feared to tread.

I have followed strict objective procedures in order to avoid inappropriate bias in my analysis and to withstand challenges to my veracity and reliability of my findings. However, this work is often a combination of art and science, and different researchers may come to different conclusion. As Braun and Clark (2021) report when discussing challenges to thematic analysis, "meaning and knowledge are understood as situated and contextual, and researcher subjectivity is conceptualised as a resource for knowledge production, which inevitably sculpts the knowledge produced, rather than a must-be-contained threat to credibility" (p. 7). Every researcher brings a set of pre-conceived notions and sensitivities to both the interviews and the analysis, and I am no exception.

In closing, it is up to my readers to determine if this research project has been successful. According to Gilgun (2014), essentials for a successful qualitative research project include: quality data, high level of analysis of that data, and a strong ability to organize one's thinking and to present the story with "grab." As to the final point, to "grab", according to Gilgun (2014) is good writing that interests your audience and draws them into your story with color and vividness. The burden has been on me to relay my story with energy, interest and excitement – to properly grab my readers! Luckily, as a 35+ year-long international businessperson as well as an avowed and energetic raconteur, I hope I have been able to tell a fascinating story that you, my audience, have found of interest. Thank you for giving me that chance!

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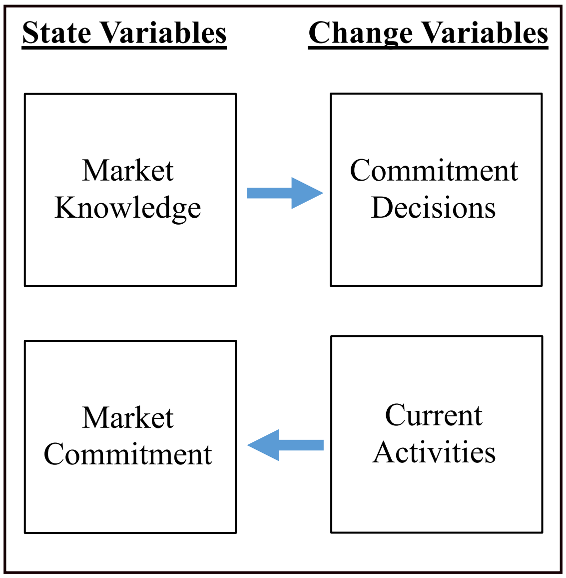
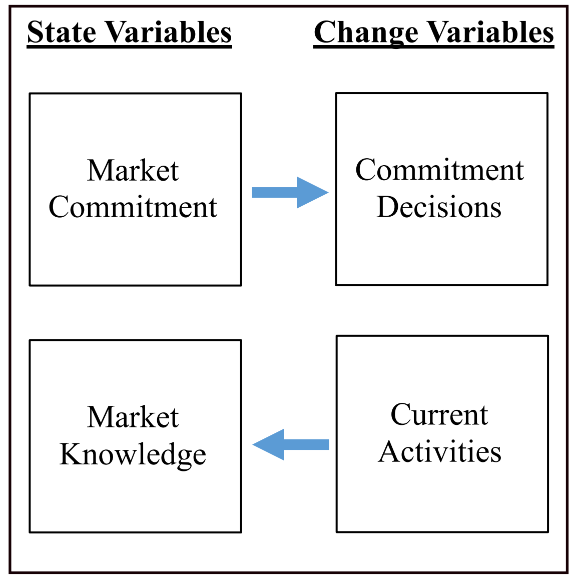
APPENDICES

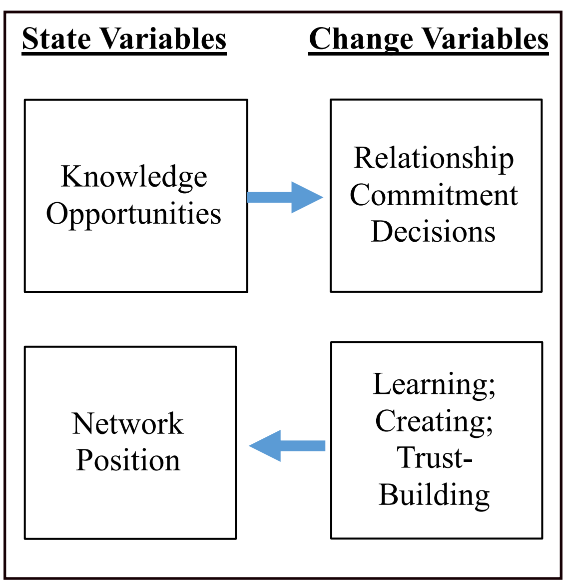
Appendix A: Visualizations of the State and Change Variables in the Uppsala Model, 1977 to 2022



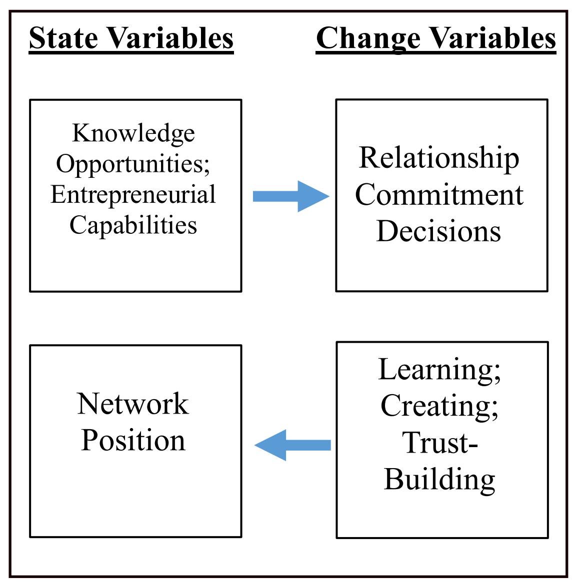
(Johanson & Vahlne, 1977, p. 26)



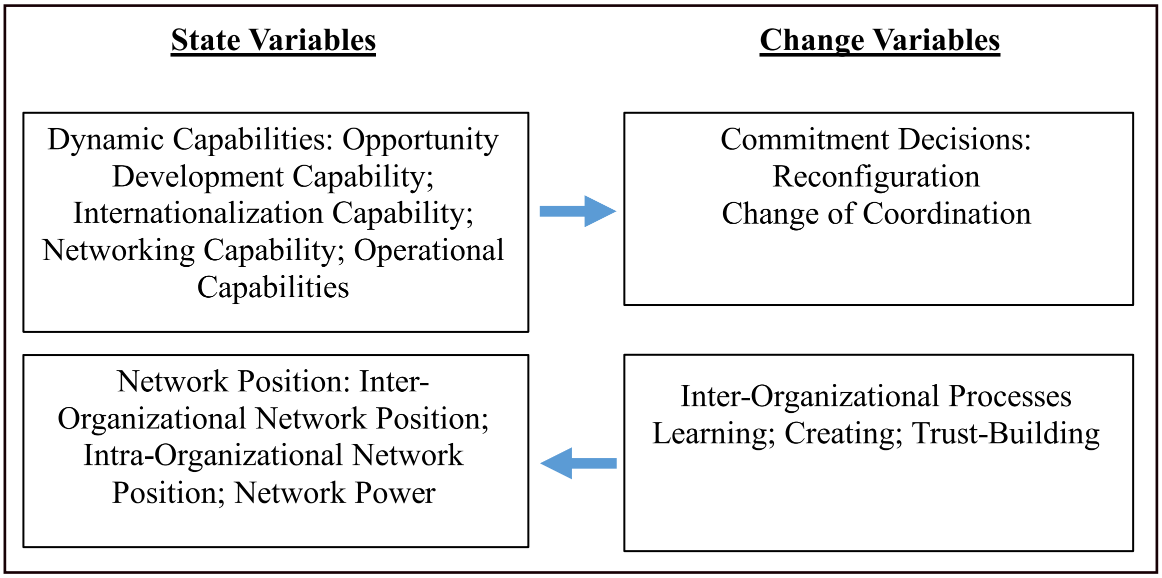
(Johanson & Vahlne, 1990, p. 12)



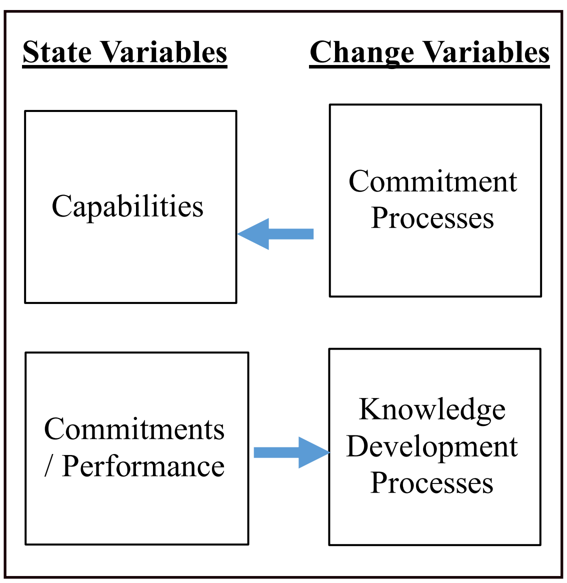
(Johanson & Vahlne, 2009, p. 1424)



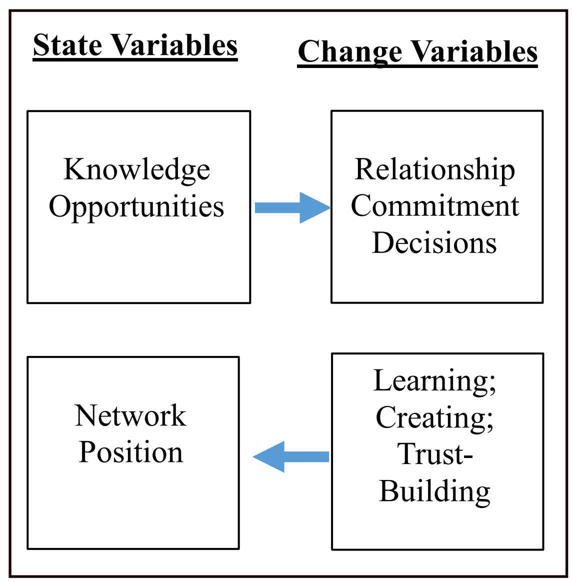
(Schweizer et al., 2010, p. 365)



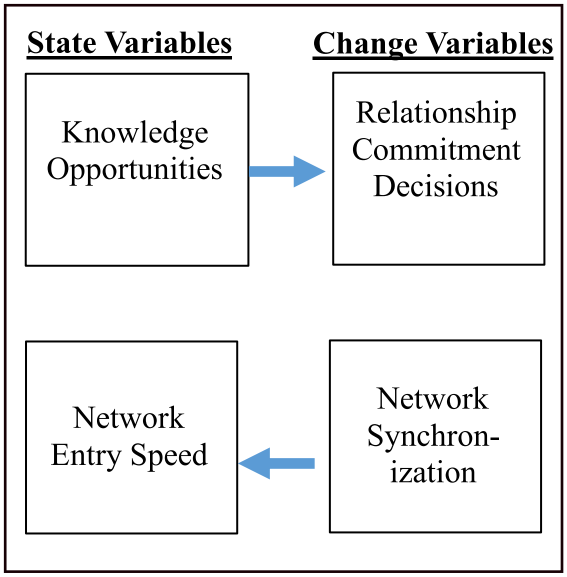
(Vahlne & Johanson, 2013, p. 200)



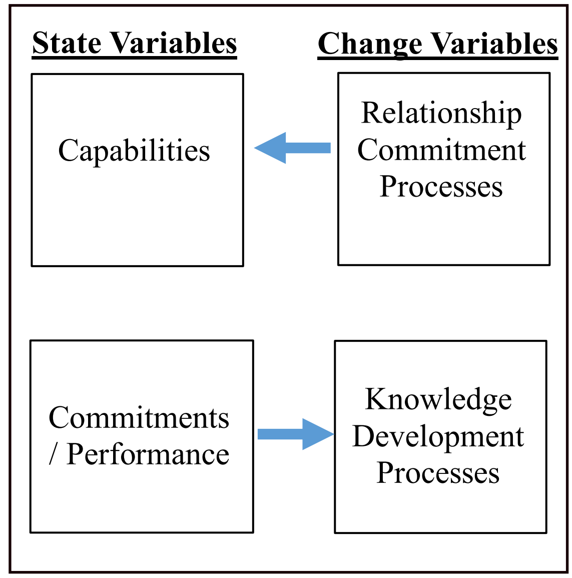
(Vahlne & Johanson, 2017, p. 1092)



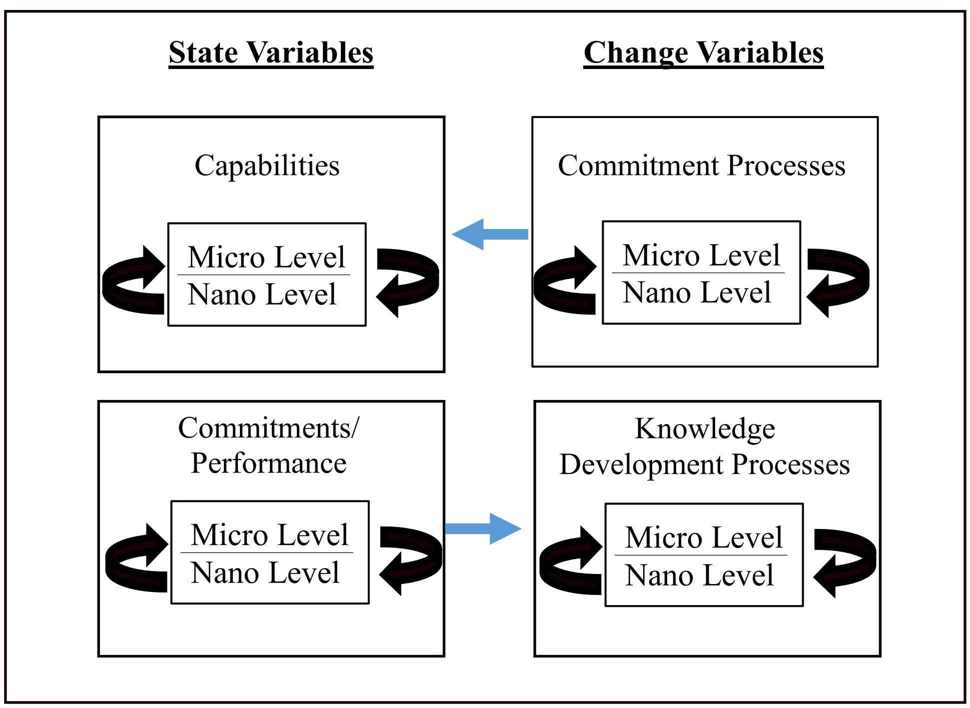
(Johanson & Johanson, 2021, Fig 1, p. 1633)



(Johanson & Johanson, 2021, Fig. 3, p. 1369)



(Schweizer & Vahlne, 2022, p. 58)



(Vahlne & Schweizer, 2022, p. 1550)

Appendix B: State and Change Variable Names in the Uppsala Model 1977 to 2022

Table 2: State and Change Variable Names in the Uppsala Model 1977 to 2022

Authors, Year	State Variable	State Variable	Change Variable	Change Variable	Fig. & Page	Article Title
Johanson & Vahlne, 1977	Market Knowledge	Market Commitment	Current Activities	Commitment Decisions	1, 26	The basic mechanism of internationalization-state and change aspects
Johanson & Vahlne, 1990	Market Commitment	Market Knowledge	Current Activities	Commitment Decisions	1, 12	The internationalisation process of the firm
Johanson & Vahlne, 2009	Knowledge Opportunities	Network Position	Learning; Creating; Trust-Building	Relationship Commitment Decisions	2, 1424	The business network internationalization process model (the 2009 version)
Schweizer, Vahlne & Johanson, 2010	Knowledge; Opportunities; Entrepreneurial Capabilities	Network Position	Learning; Creating; Trust-Building; Exploiting Contingencies	Relationship Commitment Decisions	2, 365	Internationalization as an entrepreneurial process
Vahlne & Johanson, 2013	Dynamic Capabilities: Opportunity Development Capability; Internationalization Capability; Networking Capability; Operational Capabilities	Network Position: Inter-Organizational Network Position; Intra-Organizational Network Position; Network Power	Inter-Organizational Processes Learning; Creating; Trust-Building	Commitment Decisions: Reconfiguration Change of Coordination	1, 200	The Uppsala model of MBA evolution
Vahlne & Johanson, 2017	Capabilities	Commitments / Performance	Knowledge Development Processes	Commitment Processes	1, 1092	The Uppsala model 2017
Johanson & Johanson, 2021 (Fig 1)	Knowledge Opportunities	Network Position	Learning; Creating; Trust-Building	Relationship Commitment Decisions	1, 1633	The revisited Uppsala model of the internationalization process of the firm
Johanson & Johanson, 2021 (Fig 3)	Knowledge Opportunities	Network Entry Speed	Network Synchronization	Relationship Commitment Decisions	3, 1639	Network synchronization and network entry speed
Vahlne & Schweizer, 2022	Capabilities: Micro Level, Nano Level	Commitments / Performance: Micro Level, Nano Level	Knowledge Development Processes: Micro Level, Nano Level	Commitment Processes: Micro Level, Nano Level	1, 1550	Nano- and micro-level interactions in the Uppsala model
Schweizer & Vahlne, 2022	Capabilities	Commitments / Performance	Knowledge Development Processes	Commitment Processes	1, 585	The Uppsala model of firm's internationalization

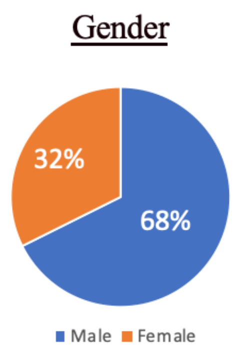
Appendix C: Expert Demographics for Completed Interviews

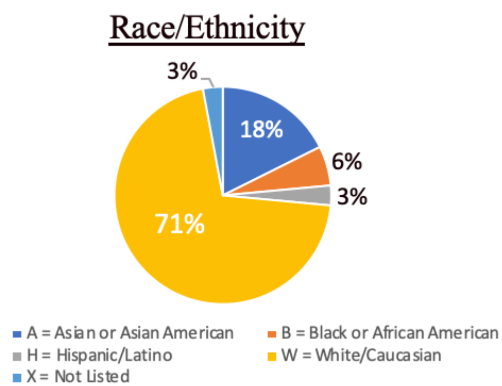
Table 3: Expert Demographics for Completed Interviews

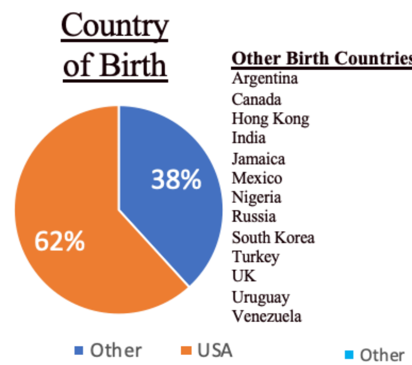
Ref #	Country of Market Entry	Gender	Race/ Ethnicity*	Expert's Age	Country of Birth	Country of Graduation from High School	Country of Graduation from College	Number of Employees	Expert's Title	Company/Industry Background
W	Angola	Male	W	60-69	UK	UK	UK	100-499	Chief Executive Officer	Consulting services in energy construction
G	Argentina	Male	W	40-49	USA	USA	USA	2,000+	Vice President	Food safety and animal health
5	Azerbaijan	Male	W	40-49	Turkey	Turkey	USA	500-999	Vice President & Managing Director	Telecommunication hardware equipment
4	Belarus	Male	W	40-49	USA	USA	USA	20-99	Founder	Marketing and digital advertising
20	Bhutan	Male	X	30-39	USA	USA	USA	3-19	Founder & CEO	Travel services
L	Congo (DRC)	Female	B	30-39	Jamaica	USA	USA	500-999	Director	IT/Communications
C	Ecuador	Male	H	20-29	Venezuela	Venezuela	USA	500-999	Founder & VP	Banking payments services
O	Ecuador	Male	W	50-59	USA	USA	USA	3-19	Owner & Project Manager	Design, build & property management
T	Egypt	Male	W	60-69	USA	USA	USA	500-999	CEO Chairperson of the Board of Directors	Contract manufacturing & CPG
10	Ethiopia	Female	W	30-39	USA	USA	USA	20-99	CEO	Coffee company
Q	Ghana	Male	A	50-59	Uruguay	Uruguay	USA	1000-1,999	President and Meta Global Lead	Media and digital advertising
1	Guatemala	Male	W	40-49	USA	USA	USA	100-499	Country Manager	Recycling materials
F	Guatemala	Male	W	50-59	Argentina	Argentina	Argentina	20-99	Co-Founder & CFO	Food & delivery services
D	Honduras	Male	W	50-59	USA	USA	USA	1000-1,999	Chief Customer Operating Officer	Manufacturing
7	Iraq	Male	W	70-79	USA	USA	USA	100-499	Vice President	Oil and gas training company
H	Jamaica	Female	A	60-69	Hong Kong	USA	USA	3-19	Executive VP Chief Marketing & Strategy Officer	Cloud-based mobile payments
8	Kazakhstan	Male	W	60-69	USA	USA	USA	500-999	Executive Director of Global Operations	Oil and gas services company
3	Kenya	Female	W	30-39	USA	USA	USA	100-499	Kenya Operations Director	Consumer kitchen equipment
6	Kenya	Female	A	20-29	USA	USA	USA	100-499	Founder	Educational services
K	Kenya	Male	W	60-69	USA	USA	USA	500-999	Chief Operating Officer & Managing Director	Materials handling
V	Lebanon	Female	W	40-49	Mexico	Mexico	Mexico	100-499	Vice President	Design and deliver products & services
9	Maldives	Male	A	30-39	South Korea	USA	USA	20-99	CEO & Co-Founder	Educational services
U	Mozambique	Female	B	20-29	Nigeria	Nigeria	UK/USA	500-999	Head, Global Partnerships/Project Mngt	Fintech payment infrastructure company
S	Nicaragua	Male	W	30-39	USA	USA	USA	2,000+	CEO & Co-Founder	Hospitality
2	Nigeria	Female	W	30-39	USA	USA	USA	100-499	Project Manager	Healthcare organization
P	Nigeria	Female	W	40-49	USA	USA	USA	1000-1,999	Cofounder and President	Engineering tech talent company
A	Pakistan	Male	W	50-59	USA	USA	USA	1000-1,999	Vice President, Global Sales	Tech and CSR support organization
I	Rwanda	Female	A	30-39	India	USA	USA	500-999	Head of Global Partnerships	Transportation services
N	Tanzania	Male	W	20-29	USA	USA	USA	3-19	Founder & Executive Director	Coaching and support services (non-profit)
M	Tunisia	Female	W	40-49	USA	USA	USA	3-19	Founder	Educational technology provider
J	Turkey	Male	A	50-59	USA	USA	USA	1000-1,999	Vice President & Chief Technology Officer	IT systems consulting services
B	Ukraine	Male	W	40-49	Russia	Russia	USA	100-499	Founder & CEO	Tech service provider
E	Ukraine	Male	W	40-49	Canada	Canada	Canada	2,000+	Chief Strategy Officer	IT programming services
R	Zambia	Male	W	30-39	USA	USA	USA	1000-1,999	Managing Director, Zambia	Solar energy and financial services

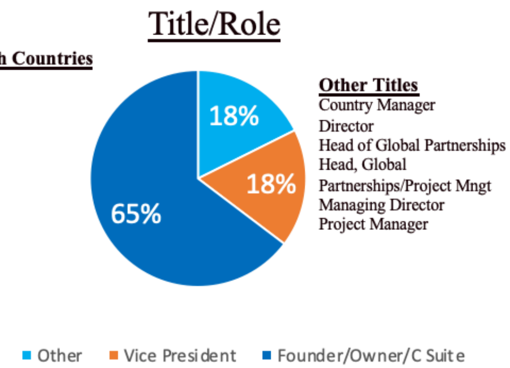
* Race/ Ethnicity: W = White/Caucasian; A = Asian or Asian American; B = Black or African American; H = Hispanic/Latino; X = Not Listed

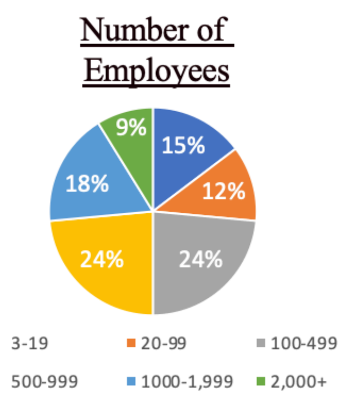
Appendix D: Expert Demographics

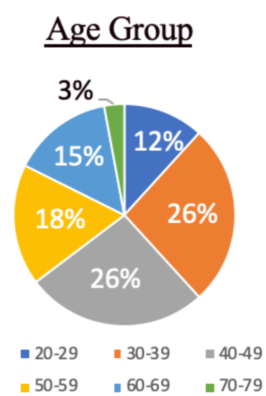


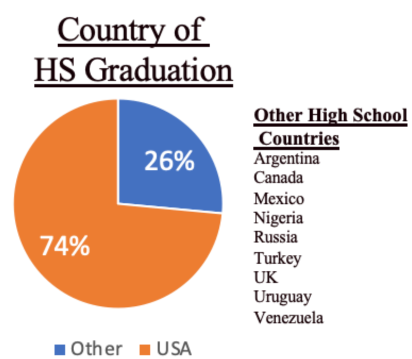


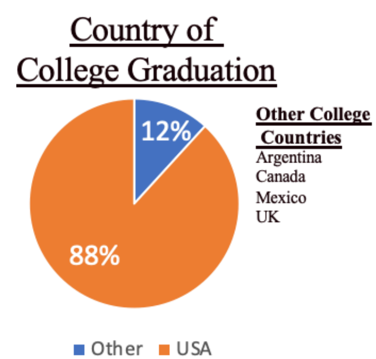












Appendix E: Interview Expert Identification Screening Tool

Kindfuller Internationalization Research Project
Screening Questions

1. In the last 10 years, did you have a decision-making role or were you an expatriate for a US based company expanding or opening a branch/subsidiary in any of the following countries?

Please select all that apply.

1. Albania
2. Algeria
3. Angola
4. Argentina
5. Azerbaijan
6. Bahrain
7. Bangladesh
8. Barbados
9. Belarus
10. Belize
11. Benin
12. Bolivia
13. Bosnia and Herzegovina
14. Burkina Faso
15. Cambodia
16. Congo (Republic of)
17. Congo (DRC)
18. Cote d'Ivoire
19. Dominican Republic
20. Ecuador
21. Egypt
22. El Salvador
23. Eritrea
24. Ethiopia
25. Gambon
26. Georgia
27. Ghana
28. Grenada
29. Guatemala
30. Honduras
31. Iraq
32. Jamaica
33. Jordan
34. Kazakhstan

35. Kenya
36. Lebanon
37. Macedonia
38. Madagascar
39. Maldives
40. Marshall Islands
41. Mauritania
42. Moldova
43. Mongolia
44. Mozambique
45. Nicaragua
46. Nigeria
47. Pakistan
48. Papua New Guinea
49. Paraguay
50. Russia
51. Rwanda
52. Senegal
53. Sri Lanka
54. Suriname
55. Tanzania
56. Togo
57. Tunisia
58. Turkey
59. Uganda
60. Ukraine
61. Uzbekistan
62. Vietnam
63. Zambia
64. Zimbabwe

Do not move forward if no country from this list is selected.

2. This interview will focus on your personal experiences in considering and entering one specific country from the list above. For the next series of questions, if you selected more than one country from the list above, please think of the one country you were personally most involved in when answering the following questions. What one country is that? ____________________. **In the questions below, please substitute that one country where it says "XXX."**

3. Which of the following best describes your role as a decision maker for when your company expanded or opened a branch/subsidiary in that selected country? - *Please explain*

a. I was the primary decision maker
b. I was a member of the team that makes the decisions
c. I was not part of the decision-making team, but I was sent to set up/start/operate this new office/company
d. Not involved/I don't know **Do not move forward if they selected "d." No interview.**

4. How many total employees does the company you helped enter in this new market have? *(Employees can be located in any country, not just the one XXX referenced above)*

Please select the one that applies best.

a) 1-19
b) 20-99
c) 100-499
d) 500-999
e) 1,000 to 1,999
f) 2,000 to 2,999
e. Greater than 3,000 **Do not move forward if they selected "e." No interview.**

5. Is the company that expanded internationally U.S. based / headquartered, and if yes in what U.S. State? ________________________________. **Do not move forward if the company is not US based. No interview.**

6. When you think of your company's involvement in XXX country, which of these 3 choices below best describes the level of resource and management commitment and control your company had of the in-country entity:
   a. Wholly owned or majority equity position; dominant or majority shareholder; my company makes most/all decisions, or
   b. Split ownership with others; equity investment of at least 40% of invested capital or resources; my company has a strong say in management decisions, or
   c. Local agent or distributor deal; licensing or franchising arrangement; limited decision-making power; or merely a purchasing or procurement focus.

   If their answer was "a" or "b" jump to 8, if "c" move to question 7.

7. If you answered "c" to the last question, was there another country from the list where your company had a more substantial level of resource and management commitment role? What one country is that? ____________________.
   If another country (from the list of 64) please begin anew at question 6. If no other country do not move forward. No interview.

8. Broadly, what was your role in either the decision to enter country XXX or to operate the company in-country? How many years ago did this occur?___________________________

9. Which of the following are you able to discuss as it pertains to establishing or operating an office/subsidiary/branch in XXX country?

    a. Decisions around which investments were made and where capital was invested
    b. Deciding whether to outsource or internalize your R&D, marketing, and manufacturing etc.
    c. Hiring Local Staff
    d. Development of or engagement with in-country network and / or partner relationships (that is either suppliers or customers)

Do not move forward if they cannot speak to any of these issues. If YES, please get their availability for a one hour Zoom interview.

Appendix F: Pre-Interview Framing Guide

Let me set the stage and tell you about what we're going to talk about for the next hour or so, so that we have a common understanding of how I'd like to proceed, and then we'll jump right into it. My name is Andy Kindfuller, and after a 30+-year career in the business world, I decided to go back and get a PhD in international business. And as you saw in the consent form, I am now almost finished, and I am writing my dissertation, and these interviews are useful for that research. For the next hour, I want to ask you a series of questions about your personal experiences going into a specific country. But first I want to set out a few guidelines so you understand how the interview will proceed.

Number one - as business executives and leaders, we are trained to talk about teams and teamwork, and to use the pronoun "We” rather than “I”, to talk always about the "Team" to be team members and team leaders. For this next hour, what I want to hear is about your experiences and specifically what YOU did. So instead of using "We”, I'd like you to use "I", because my research is specifically about your experiences in a specific country. The example I like to use is when Boeing Aircraft sells 50 airplanes to Japan Airlines, everyone in Boeing says, "We sold 50 airplanes." But there's probably one or two or maybe three people that can say, "I sold these airplanes." If there is something that you weren't involved with, just say, "I really wasn't involved in that." There are no wrong answers. Please keep it to the pronoun “I” and your personal experiences.

Number two – I am not planning to ask you questions about the specifics of the products or services your business offered, and in fact that's not of much interest for this research, except as to how it relates to your market entry. So, for example, if you were writing or selling computer software, I don't need to hear about what the software did and how it helped your customers, or what the product specifics are, other than to the extent it relates to your experiences going in-country.

Number three - I know you have extensive experiences working in many countries. For this interview, we're going to discuss your experiences in one country, country XXX. That one country is our focus. What I don't want you to do is put together all of your experiences and group them together, saying, "My experiences in these five countries, generally, this is what we do." We will stay focused on this one specific internationalization experience, even if it was different than what you usually do or did in another country.

Finally, I will ask a series of questions about before you entered in-country, and questions about after you entered. What I'd like you to do is imagine you are wearing a “magic hat” and are answering with the knowledge and thoughts you had back to before you entered. In the second half of the interview I will ask questions which can be answered with what you now know today. We will separate the interview into before and after you entered this market.

Appendix G: Interview Questions

1. I want to hear about your experiences and exposure to country XXX before you entered: please discuss your previous pre-entry experiences and exposure with XXX?
2. As you were deciding to enter XXX what were the main country specific issues you considered? Were there any issues that created concerns or gave you pause?
3. In the international business literature, researchers study non-geographic perceptual issues between countries such as different languages, religions, education, cultures, business practices, ethics, etc. These create something called "Psychic Distance". As you were deciding to enter XXX how did you perceive these issues? Did these psychic distance issue create any concerns?
4. I want to focus on your personal perceptions of your company entering XXX? Thinking about the non-geographic psychic distance between the US and XXX, and the related business challenges, with 1 being "no real difference / does not impact on my business at all" and 9 being "very great difference / impacts on my business very much" - what was YOUR perception of the difference between the USA and XXX? On a scale of 1 to 9? Please discuss that score and anything else you want to mention regarding your personal perception of XXX before you entered?
5. Please discuss that score and anything else you want to mention regarding your personal perception of XXX before you entered?
6. Now I want to ask a few questions about your process of entry into XXX. Please discuss the process you used to develop knowledge of the market, make a decision to enter XXX, and to commit resources? What steps did you take?

7. When deciding and entering XXX, what was the role of any pre-existing business or network connections you had - that is previous business relationships in XXX, in the US, or elsewhere - in your decision?
8. How did you deal with the uncertainty of entering and setting up business in XXX?
9. What was the role of trust within your market entry? Discuss?
10. How did your market entry change over time? What changes happened from the initial launch until now?
11. How did you perceive your power position relative to your business relationships / network partners?
12. Knowing what you know now, are there things you would have done differently when you entered XXX? Discuss.
13. With what you now know, with years doing business in XXX, let's again consider those non-geographic issues of psychic distance between the US and XXX, and the related business challenges. Today, with 1 being "no real difference / does not impact on my business at all" and 9 being "very great difference / impacts on my business very much" - what is your current perception of the difference between the USA and XXX? On that scale of 1 to 9?
14. On a scale of 1 to 9, where 9 is "Achieved all our goals / extremely successful" and 1 is ""Achieved none of our goals / extremely unsuccessful" how would you rate your situation today in XXX? Are there other comments about your entry experience that we have not yet discussed?
15. Are there other comments about your entry experience that we have not yet discussed?

16. What advice would you give American decision makers of small and mid-size businesses who are thinking of going into high-risk countries?

Appendix H: Interview Themes

Figure 7: Interview Themes

Country Entry Concepts
34/543

Personal Background **33/169**
- **Pre-Entry Experiences 24/50**
- **Previous Intl Experience 29/53**
- Pre-Familiarity with Market
- Background In-Country
- Alternative Countries

Market Evaluation **31/209**
- Market Opportunity
- **Market Attributes 26/75**
- **Market Research 27/85**
- Market Requirements

Process Evaluation **20/64**
- Entry Steps
- **Speed Timing 19/45**

Travel / Field Work **31/104**
- **Travel to Country 27/79**
- Field Work in Country
- Remote Work
- Localization

Market Concepts
33/426

Financial / Business Considerations **33/202**
- Business Environment
- **Financial Evaluation 20/48**
- **Business Model 31/143**
- Product Details

Regulatory / Political **32/154**
- **Regulatory/Regulations 19/48**
- Political System - Issues
- **Government Issues 18/45**
- Currency

Ecosystem **21/70**
- Customers - Consumers
- Competitors Suppliers
- Limited Resources

Psychic Concepts
34/1,209

Country Issues **34/975**
- **Connections 30/104**
- **Network 20/50**
- **Corruption – Ethics 27/108**
- **Culture 31/153**
- **Employees 28/174**
- Standard of Living
- War and Disease **28/174**
- **Language 32/92**
- **Religion 27/56**
- Education
- **Security Crime 24/68**
- **Trust 34/107**

Personal Issues **33/234**
- **Challenges Concerns 23/92**
- Passion
- Balancing
- **Risk and De Risk 21/53**
- Creativity
- Self Reflection
- Others' Perceptions
- Career Related - Reputation

Numbers indicate the number of respondents who mentioned each theme, followed by the number of times in total that each theme was referenced. Only top themes are bolded and counted here.