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Decision-Making during the Growth Process of an Organization

A case study of the factors influencing the logic employed in Clas Ohlson's
internationalization decisions

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Abstract

By emphasizing the individual decision-maker, modern research has sought to improve our understanding of an organization's internationalization decisions. However, limited attention has been given to the underlying reasoning and rationality behind these decisions, not least in a growing organization. In order to fill this research gap, effectuation theory is applied on a growing organization's internationalization decisions. By conducting a single case study on Clas Ohlson, comprising of 12 interviews with managers involved in the company's internationalization decisions, this thesis contributes with new insights on international decision-making, and decision-making logic in particular. Presented in the findings are four factors influencing decision-making logic in a growing organization, as well as how these factors develop during this growth process, and how they affect each other. More specifically, the findings show that organizational structure gains influence during the growth process to become a key-influencing factor on the logic employed in internationalization decisions. The relationship between the influencing factors further suggests that they should be considered collectively, in order to improve our understanding of an organization's decision-making. What is more, firms strive for employing causation logic in internationalization decisions, while a lack of relevant learnings may impede the organization's ability to utilize this logic. However, as the firm grows and obtains more relevant experience on the international market, relevant learnings are increasingly developed which facilitate the adoption of causation logic.

Key words: *Causation, Decision-Making, Decision-Making Logic, Effectuation, Heuristics, Internationalization, Learnings, Organizational Growth, Organizational Structure, Retail.*

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Abbreviations

CEO – Chief Executive Officer

CO – Clas Ohlson

FMCG – Fast-Moving Consumer Goods

GB – Great Britain

GCC – Gulf Cooperation Council

SME – Small and Medium-sized Enterprise

UAE – United Arab Emirates

VAT – Value-Added Tax

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1. Introduction

This chapter will introduce this study, starting with a background presentation. It will also introduce the gaps in current research, leading to the problem that constitutes the purpose of this thesis, ending in our research question.

The chapter is concluded by a presentation of the delimitations and the structure of this thesis.

1.1. Background

International expansion activities have been studied for several decades in order to understand how, why and when companies internationalize to foreign markets (e.g. Dunning, 1988; Johanson & Mattsson, 1988; Johanson & Vahlne, 1977). Numerous explanations have been presented within this stream of research, spanning from market selection e.g. The Eclectic Paradigm (Dunning, 1988), the internationalization process e.g. The Uppsala Model (Johanson & Vahlne, 1977), the choice of entry mode (Hill, Hwang, & Kim, 1990) and the timing of market entry (Gaba, Pan, & Ungson, 2002). Accordingly, the common denominator is the ambition to explain why certain internationalization decisions are made, something that mainly has been studied on larger firms (Madsen & Servais, 1997; Oviatt & Mcdougall, 2005). In order to improve our understanding of these decisions, in a constantly changing environment, scholars have decided to put the individual decision-maker at the center of attention (Andersson, 2011; Kalinic, Sarasvathy & Forza, 2013; Madsen & Servais 1997; Oviatt & Mcdougall, 2005).

1.2. Problem Discussion

In spite of extensive research on internationalization and increasing attention on the individual decision-maker, existing theory and research have not sufficiently explained the underlying mechanism of internationalization (Kalinic, Sarasvathy, & Cipriano, 2013), as the individual decision-maker's ability to make strategic choices tends to be neglected (Kalinic et al., 2013; Child, 1972; Andersson, 2000). A more detailed investigation of how these decisions are made would therefore enhance and deepen our understanding of strategic management in an international context (Kalinic et al., 2013; Sarasvathy, 2001; Sarasvathy & Read, 2005). Thus, in order to better understand the internationalization process of organizations there is a need to understand the process and logic behind the internationalization decisions. As decisions ultimately are taken by individuals within the organization, also the effect that the individual decision-maker has on the organizational behavior should be emphasized (Chandra 2007; Schweizer, 2015; Sarasvathy, 2001; Zhang, Macpherson & Jones, 2006). Here, the entrepreneurial research provides an alternative viewpoint in understanding organization's internationalization

decisions (Andersson, 2011; Chandra, 2007; Kalinic et al., 2013; Schweizer, 2015), focusing on the individual decision-maker's influence on the rationality employed.

Within this modern stream of research, Sarasvathy (2001) presents the concept of effectuation logic, as an alternative to the traditionally assumed causation logic employed in organizational decision-making. Traditional views on internationalization decisions presume that a market exists, and that decisions are based on an evaluation of the accessible information about the context in which organizations operate within (ibid.). Instead, Sarasvathy's discussion revolves around how these contexts are created, in which decision-making is taking place. Thus, in contrast to causation logic, effectuation logic focuses on the resources available at the time of the decision, and how to make the optimal rational decision based on the known circumstances. As the market is not yet presumed to exist, this implies that effectual decision-making is applicable even in situations when information is not accessible, but rather created by the choices made by the organization (ibid.). Subsequently, the future does not have to be predictable in order to take rational choices, such as on the international arena (Kalinic et al., 2013; Sarasvathy, 2001).

As the recent discussion on effectuation has its origin in the entrepreneurial research, it has repeatedly been adopted in order to explain the logic employed in smaller firm's internationalization decisions (Andersson, 2011; Schweizer, 2015; Kalinic et al., 2013; Chandra, 2007). This research has emphasized the individual decision-maker's personal characteristics (Chandra, Styles, & Wilkinson, 2009; Dew, Read, Sarasvathy, & Wiltbank, 2009; Harms & Schiele, 2012), individual perceptions (Schweizer, 2015), heuristics and routines (Schweizer, 2015) and firm's resources (Read & Sarasvathy, 2005), as factors influencing decision-making logic. However, limited attention has been given to larger organizations, and how effectuation could be utilized to explain their behavior. Several researchers state the applicability of effectuation theory on larger firms, but further empirical evidence is needed (Sarasvathy & Wiltbank, 2010; Andersson, 2011; Chandra, 2007). Attention has also been given to development of decision-making logic over time, e.g. Schweizer (2015), Kalinic et al. (2013), Chandra (2007), but little research has been given to the dynamics of decision-making logic in an organization as it grows. One attempt has been made by Read and Sarasvathy (2005), mentioning that a change from effectuation logic to causation logic is likely as the firm grows, obtain more resources and gain experience within a certain area. The discussion however stops at a theoretical level, emphasizing new firm growth, and the importance of entrepreneurial learning (ibid.). Thus, the questions

regarding the effect on decision-making is still unanswered in the context of a growing organization (Andersson, Gabrielsson, & Wictor, 2004).

In sum, research on effectuation in an internationalization context is still a relatively unexplored area, and more empirical evidence of effectual reasoning is called for (Andersson, 2011; Chandra, 2007; Chandra et al., 2009; Harms and Schiele, 2012; Johansson & Vahlne, 2009; Kalinic et al., 2013; Sarasvathy, Kumar, York, & Bhagavatula, 2014; Schweizer, Vahlne, & Johanson, 2010). Additionally, and also of particular interest in this thesis, Andersson et al. (2004) further highlight the need to explore how an organization works with decision-making as it grows. It would also be beneficial for both theory and practitioners if the movement in decision-making logic could be documented over different stages of the organization's growth process (Andersson, 2011).

With regards to the mentioned research gaps on effectuation, internationalization and decision-making in a growing organization, there is need for a study that provides a deeper understanding of how the logic employed in internationalization decisions develops during an organization's growth process, and clarifies the factors that influence the logic employed in these decisions.

1.3. Purpose and Research Question

Considering the aforementioned background and problem discussion, while noting the lack of research on a growing organization's decision-making logic, the purpose of this thesis is: *to compare the logic employed in internationalization decisions during the growth process of an organization, in order to investigate the factors influencing this logic and how each factor's influence develops throughout this process.* To meet this purpose, we pose the following research question:

"What factors influence the logic employed in internationalization decisions during the growth process of an organization, and how does each factor's influence develop throughout this process?"

In order to answer this research question, we will consult existing research on decision-making, with particular emphasis on Sarasvathy's (2001) and other scholars' contemporary discussion on effectuation and causation logic. With a single case study of Clas Ohlson's (Hereinafter referred to as CO) internationalization decisions, emphasizing the logic employed in these decisions, we will be able to contribute to the existing literature on internationalization, effectuation and organizational decision-making from a growing organization's perspective.

1.4. Delimitations

In order to conduct a succinct study, some delimitations have been made during our research process.

Firstly, this single case study is only focusing on the internationalization of stores, thus including the expansion of a store network and no other internationalization activities. This is motivated by the purpose to compare internationalization decisions and to enable us to answer our research question, emphasizing the factors influencing decision-making logic. Thus, we argue that the comparisons should include the same questions, which in this study revolves around the internationalization of stores. However, an international mail order decision is included in the empirical findings, only to provide relevant context to CO's history.

Secondly, the subsequent expansion decisions after the first store opening are not of interest in this study. With regards to our purpose, emphasizing internationalization decisions, other decisions following the first store opening is thus considered outside this purpose. However, the empirical section includes decisions beyond this point, which is motivated by the fact that these actions have influenced subsequent internationalization decisions, and therefore ought to be mentioned.

1.5. Research Outline

This thesis covers 6 different chapters, including this first chapter where we introduce our study. Chapter 2 will present the theoretical background based on previous research that has been considered relevant for analyzing our empirical findings presented in chapter 4. Chapter 3 presents our methodological approach used for conducting this study. Following this chapter is our empirical findings presented in chapter 4. In chapter 5 the findings from our empirical chapter will be analyzed in order to answer our research question. The thesis ends with our conclusion and suggestions for future research presented in chapter 6.

2. Theoretical background

This chapter starts out with describing some theoretical contributions on decision-making, presenting the effectuation concept of Sarasvathy (2001) on decision-making logic. It will then continue by describing the research made in relation to the effectuation concept and the factors that have proven influential on the decision-making logic employed. The chapter ends with a summary of the theoretical contribution on effectuation, presented in a model for a clear overview.

2.1. Decision-Making

Decision-making within organizations has for many years been a widely debated subject in business research (Sull, Delbeq, & Cummings, 1971; Glueck 1974). When discussing decision-making, Weick, Sutcliffe, and Obstfeld (2005) refer to the sense making, and thereby decision-making as an ongoing social activity where people extract cues from their context. Other scholars highlight the fact that a decision making-process is characterized by a series of behavioral stages that take place over time, referring to what the decision-makers do (Dimitratos, Petrou, Plakoyiannaki, & Johnson, 2011; Bell, Bromiley, & Bryson, 1998; Mintzberg, Raisinghani, & Théorêt, 1976). In other words, organizational decision-making occurs over time and cannot be separated to a certain moment in time.

The individual decision-maker plays an important role in how decisions are made, and thus how organizations behave (Andersson, 2000; Cyert & March, 1963; Schweizer, 2015). Cyert and March (1963) mention that decision-makers will put in measures to adapt the organization in accordance with their own perception of the environment, to pursue the goals of the organization in their way. Other scholars claim that management stands out as a key driver behind successful firms (Dimitratos et al., 2011; Lee & Park, 2006). When looking at these individuals in different organizations, the individual decision-maker's effect on smaller firms has grown to become widely recognized (Child, 1972; Madsen & Servais 1997; Oviatt & Mcdougall, 2005), but Andersson (2000) claims that this influence is just as powerful in a larger organization.

With regards to decision-making in larger organizations, it ought to be mentioned that it can be separated from decision-making in smaller organizations. This distinction derives from the fact that larger organizations develop policies and defines the decision-maker's area of responsibility, which cannot be claimed for the more entrepreneurial setting in Small and Medium-sized Enterprises (hereinafter referred to as SMEs) (Nelson & Winter, 1982). As the organization

grows, simply directing a larger number of people in an effective way demands a further decentralized system with more impersonal mechanisms of control. In other words, formal control needs to be imposed for a coherent ruling of the company (Child, 1972). The author further states that the size of an organization facilitates reaping of benefits from increased specialization. The structural differentiation that follows growth is likely to form higher heterogeneity amongst subunits, but homogeneity amongst the roles within them. The specialization in each role will become restricted to a certain area of expertise. Hence, the more personal mechanisms of controlling operations and making decisions within the organization are thus seldom applicable to larger organizations (Ibid). Consequently, the larger, often more structured organization constrains the individual decision-maker to a specific task, which limits the access to information to the delegated task (Martinez-León & Martínez-LGarcía, 2011).

2.2. Decision-Making Logic

The aforementioned influence from individuals on organizational behavior has been highlighted in the literature on entrepreneurship. Naturally, these studies are focusing on the individual decision-maker, i.e. the entrepreneur in small-sized companies (Andersson, 2000; Madsen & Servais 1997; Oviatt & Mcdougall, 2005). Originating from this stream of research is a theory that seeks to further improve our understanding of the decision-making process. This theory aims at the individual decision-maker and presents the concept of effectuation logic, as an alternative to the assumed causal logic utilized in organizational decision-making (Sarasvathy, 2001). The concepts of causation and effectuation is defined as -"*Causation processes take a particular effect as given and focus on selecting between means to create that effect. Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means*" (Sarasvathy, 2001: 245). A more detailed distinction between effectuation and causation logic is presented in table 1 (see section 2.2.2.).

2.2.1. Causation Logic

As mentioned, effectuation acts as an alternative mode of reasoning to the, in international business studies, more commonly assumed causation logic (Sarasvathy, 2001; Sarasvathy & Wiltbank, 2010). Causation relies on the logic of prediction and emphasizes maximized expected return, avoiding surprises through accurate predictions and by relying on planning and extensive analysis. The decision is thus not limited by the existing means and measures possessed by the organization, they can rather be gained over time to in order to meet the objectives. Such specific and clear goals are other characteristics typical for reasoning in line with causation logic. It is limited only by constraints imposed by the environment on possible means (Sarasvathy, 2001).

Furthermore, the assumption that the future can be predicted makes organizations set up plans and criteria for guiding the selection of means, usually to maximize the expected return (Chandra, 2007; Sarasvathy, 2001). It is a goal-driven and resource-dependent process, where the opportunities exist, and the challenge lies in discovering them (Kalinic et al., 2013). Thus, causation logic is beneficially utilized in static and independent markets, where the future is more or less certain. However, the decision-maker must have sufficient skills and experience to make the necessary analyses and predictions. Causation logic is thus excellent in exploiting existing knowledge within the organization (Sarasvathy, 2001).

2.2.2. Effectuation Logic

Decision making in the effectuation theory can be distinguished from neoclassical rational choice theories, and causation decision-making logic (Sarasvathy, 2001), based on three characterizing factors; Knightian uncertainty (Knight, 1921), Marchian goal ambiguity (March, 1982) and Weickian enactment (Weick, 1979). Knightian uncertainty revolves around the actual problem faced by the decision-maker, where the potential outcome is unknown and the future is thus unknowable. Marchian goal ambiguity concerns the underlying logic of the theory and is characterized by a lack of pre-existent goals as preferences are not given or well ordered. Weickian enactment involves an inversion of the rational choice principles, where an individual environment is non-existent and the decision maker does not know what elements to prioritize (Sarasvathy & Wiltbank, 2010; Schweizer, 2015).

Effectuation, described as an entrepreneurial way of decision-making by Sarasvathy (2001), relies on the exact opposite parameters of the previously mentioned causation logic. These can be summarized under four distinguishing characteristics. (1) The final goal is not specified at the starting point but becomes defined over time, through interaction with the environment. Thus, leveraging on contingencies and new opportunities that develop in contact with the environment becomes possible, instead of only trying to exploit existing knowledge. (2) Here, personal contact becomes a key in developing and revealing new business opportunities and limiting uncertainty, instead of focusing on competitive analyses. (3) The organization can make the best possible decision by identifying what means and causes are available to the decision-maker at the present point in time. Hence the focus is on calculating the affordable loss rather than maximizing return. New skills or resources are gained, and then decisions are made, based on what is known at this new point in time. (4) As no predetermined market is assumed to exist, there is no need to predict the future, it simply depends on the actions of the organization (Sarasvathy, 2001).

Kalinic et al. (2013) show that most actions in a new market go beyond the predetermined business plan. Interaction with the environment and personal contacts enable new opportunities to be discovered, or developed, and new goals evolve (De Houwer, Barnes-Holmes, & Moors, 2013). Organizations survive, and their international strategies are maintained as they are reinforced by the relevant environment and business network in which they exist, in which actions trigger learning and new opportunities appear (Chandra, 2007). As a result, while considering the widely recognized perception that strategic decisions are decision-making under uncertainty (Sarasvathy & Simon, 2000; Sarasvathy, 2001; Simon, 1993, Chandra, 2007; Cyert & March, 1963), even with intended rationality there is no guarantee for an optimal outcome (Sarasvathy & Simon, 2000). Thus, there is no reason to believe that organizations can deliberately make the optimal decisions. By changing focus from trying to find the optimal solution, and instead strive to create new opportunities with the means available, organizations can improve efficiency in decision-making in uncertain environments. When doing so, and focus is on how the resources in my possession can be used most efficiently, the decision-making logic has changed from causation to effectuation (Sarasvathy, 2001; Dew & Sarasvathy, 2002).

Issue	Causal or Predictive Position	Effectual Position
View of the Future	Prediction. The causal approach views the future as a continuation of the past that can be acceptably and usefully predicted.	Creation. The effectual approach views the future as contingent on actions by willful agents, largely nonexistent and a residual of actions taken. Prediction is unimportant as a result.
Basis for Commitment	Should. Commit as a course of maximizing, analysis, and what should be done.	Can. The effectual approach is to do what you can (what you are able to do) rather than what your prediction says you should.
Basis for Taking Action And Acquiring Stakeholders	Goals. The causal approach is to let goals determine sub-goals. Commitment to particular sub-goals determined by larger goal constrained by means. Goals determine actions, including individuals brought on board.	Means. Actions emerge from means and imagination. Stakeholder commitments and actions lead to specific sub-goals. Feedback from achievement/non-achievement of sub-goals lead to design of major goals.
Planning	Commitment. Path selection is limited to those that support a commitment to an existing goal.	Contingency. Paths are chosen that allow more possible options later in the process, enabling strategy shift as necessary.
Predisposition Toward Risk	Expected Return. The causal approach is to pursue the (risk adjusted) maximum opportunity, but not focus on downside risk.	Affordable Loss. The effectual approach is to not risk more than can afford to be lost. Here, the calculation is focused on the downside potential.
Attitude Toward Outside Firms	Competition. The causal approach is to be concerned with competition and constrain task relationships with customers and suppliers to just what is necessary.	Partnership. The effectual approach is to create a market jointly, building YOUR market together with customers, suppliers and even prospective competitors.

Table 1. Characteristics of Effectuation and Causation Logic (Read & Sarasvathy, 2005: 52).

2.3. Decision-Making Logic and Internationalization

The previously mentioned discussion on effectuation (Sarasvathy, 2001) has been adopted in order to better understand the logic employed in firms' internationalization decisions (Chandra, 2007; Harms & Schiele, 2012; Jones, Coviello and Tang, 2011; Kalinic et al., 2013; Schweizer, 2015). In this regard, looking at an organization through an effectuation lens can facilitate our understanding of how decisions are made in uncertain environments, such as an international market (Harms & Schiele, 2012; Kalinic et al., 2013).

Chandra (2007) builds on this entrepreneurial work of Sarasvathy (2001) and bridges internationalization and entrepreneurial behavior. The author mentions the two fundamental modes of reasoning that exists, not only focusing on the small entrepreneurial firms but also state that it is equally applicable to larger organizations. They are categorized as; those that emphasize expected return, based on causal rationality, and those that base decisions on effectual rationality, emphasizing control rather than prediction. Furthermore, Jones, Coviello and Tang (2011) have made progress in bridging decision-making processes and internationalization theory, by using

effectuation methodology, meaning that the entrepreneurial spirit does not only guide organizations towards existing opportunities in international markets, but may also create them (Kalinic et al., 2013). Thus, looking at existing factors does not fully explain organizations' internationalization process.

It should be mentioned, however, that effectuation-based decision-making does not have any important implication for the decision whether to internationalize or not, but rather, that an increased awareness about what the decision-makers know, with whom they work and who they are, can bring further insight into the internationalization questions of why, when, where and how fast (Sarasvathy et al., 2014).

2.3.1. Changes in Decision-Making Logic during Internationalization

It is important to acknowledge that Sarasvathy (2001) does not promote effectuation as the optimal decision making logic in all situations, but rather that the choice of process depends on the situation at hand. Determining in which situations the different decision-making rationalities should be utilized can indeed be valuable for an organization (Kalinic et al., 2013). Dew and Sarasvathy (2002) and Kalinic et al. (2013) further state that this type of reasoning can increase efficiency in a new environment by excluding the uncertainty involved in trying to analyze and predict future business conditions in unknown environments. In line with this, the decision-maker can enhance its ability to spot contingencies by not having too structured guidelines or goals in the decision-making process, further leveraging the uncertainty in new situations (Schweizer, 2015). Using a more “unplanned”, or open-minded logic does not mean that there will be a lack of rationality behind the decisions, rather that rational solutions will appear in interaction with the market and its actors, creating these benefits that are hard to realize from the beginning (Eisenhardt & Sull, 2001).

Despite the advantages of using effectuation logic in uncertain situations, organizations tend to strive for applying causation logic in decision-making (Kalinic et al., 2013). However, in the early stages of an organization's development, decision-makers tend to use the rationality of effectuation, explaining why the effectuation concept has its origin in the entrepreneurial theory (Sarasvathy, 2001). Chandra (2007) builds on these suggestions when looking at the development of decision-making logic over time. The author finds that firms tend to initiate its internationalization through effectual reasoning, thus not conducting any careful evaluations of alternative opportunities, and instead pursue the first opportunities that appear. One explanation for this comes from Read and Sarasvathy (2005), who suggest that the lack of resources can

impede the possibility to employ causal logic in decision-making. Companies that lack resources, such as start-ups, would thus employ effectuation logic, simply because causation logic is not possible (ibid.). The authors further confirms the increased efficiency expected from using effectuation under uncertainty, by stating that today's successful firms are more likely to have started with effectual logic, and later turned to causal logic as the firm was growing.

Looking at the development of decision-making logic over time, planning seems to become prevalent and preferences become better defined (Chandra, 2007). Organizations develop new resources, use clearer criteria for opportunity evaluation and waive opportunities for more attractive alternatives, and thus more tools for predicting the market are developed (ibid.). In the context of decision-making logic, the same author state that the nature of decision-making increasingly follows causal reasoning and rational planning further reinforced by the recruitment of professional managers and CEOs with the ability to refine potential opportunities (Ibid). In a similar study of internationalization decisions over time, Kalinic et al. (2013) state the same transformation from effectual to causal logic among decision-makers. Effectuation seems to dominate in the early stages of internationalization decisions, while later decisions are more based on market analysis and thus follows causal logic. However, these suggestions are questioned by Schweizer (2015), claiming that the logic behind internationalization decisions do not have a pattern. Although the logic employed in this study shows tendencies of a transition to quasi-causation over time, the trend is considered both weak and ambiguous (Ibid).

Hence, firms seem to change the logic employed in internationalization decisions over time, despite a disagreement among scholars on *how* it changes (Chandra, 2007; Kalinic et al., 2013; Schweizer, 2015). In order to understand these changes, it is essential to investigate the factors that influence the logic employed in internationalization decisions. Three factors presented in previous research are therefore discussed in the following sections, including the decision-maker's perception of the problem space, relevant learnings and heuristics.

2.3.2. The Decision-Maker's Perception of the Problem Space as an Influencing Factor on the Logic Employed in Internationalization Decisions

Looking into how organizations reveal internationalization opportunities requires that the logic behind internationalization decisions are met on an individual level. It is not enough that strategy and internal resources are in place, the decision to approach a new market in a certain way must be triggered by someone (Rae and Carswell, 2001; Andersson, 2000).

In entrepreneurial theory, experiences shape the decision-maker's perception of future situations and solutions, which provides a frame of reference for the individual. In line with this, the factor of uncertainty becomes a subjective matter, where the individual decision-maker takes decisions dependent on how he/she perceives the situation (Politis, 2005). The internationalization decision taken by SMEs is strongly influenced by the perceptions, attitudes and intentions of managers and owners, as they present a great control on the behavior and performance of their firms (Acedo & Galán, 2011). Nielsen and Nielsen (2010) further show that management makes strategically satisfying decisions based on personal experience, rather than relying on specific market research provided by the organization. In line with this, as managers make decisions consistent with their cognitive orientations, perceptual processes, values and experiences, these personal traits influence the organizational performance (Dimitratos et al., 2011). Thus, in order to understand why certain decisions are made, the individual characteristics of the decision-maker should be included (Schweizer, 2015).

The individual perception of a problem is influenced by numerous factors, not only individual characteristics, such as personal traits, experience, education and willingness to take risks, but also the person's position within an organization and his or her emotional involvement in the decision (Schweizer, 2015; Child, 1972). Through an effectuation lens, personal characteristics are important means for the creation of new effects (Sarasvathy, 2001), and for the nature of a firm's internationalization (Sarasvathy et al., 2014), and it should therefore be included in order to understand the individual perception of the problem space that influences the rationality employed in internationalization decisions (Schweizer, 2015). In this regard, some scholars (Andersson, 2011; Chandra, 2007) have been looking at the problem from an objective firm level, while others (Harms & Schiele, 2012; Schweizer, 2015) emphasize the individual decision maker's perspective. Schweizer (2015) mentions, however, that this is not a new view on the decision-making process, as it has been argued by several authors over the last 40 years, and many different personal characteristics have been concluded to have an impact on decisions made by organizations. Further support for individuals' impact on decision making logic is presented by Chandra et al. (2009) and Schweizer (2015), who find that the arrival of new professionals in entrepreneurial SMEs changed the rationality employed from effectuation to causation.

The individual experience is one personal characteristic that has proved to influence the use of effectuation logic, where the experienced decision makers are more likely to employ effectuation

than causation (Dew et al., 2009; Read & Sarasvathy, 2005). Also Kalinic et al. (2013) elaborates on the effect of experience on decision-making logic, looking at the small organization. They suggest that there is a change towards causation logic in later expansions, due to the increasing knowledge and experiences gained from previous expansions. What is more, the authors find support for increased causation rationality when the decision-maker perceives a large psychic distance between the home and the host country, which is motivated by a knowledge gap that can be managed through planning and by gathering information (ibid.). Furthermore, Harms and Schiele (2012) did not find uncertainty in the host country to have an impact on the decision making logic, while Kalinic et al. (2013) suggests that effectuation logic is employed in uncertain environments, as it reduces the amount of information required before acting.

2.3.3. Relevant Learnings as an Influencing Factor on the Logic Employed in Internationalization Decisions

Sarasvathy (2001) mentions that, as decision-makers gain experience and knowledge over time, this is likely to affect the decision-making logic employed. Sarasvathy and Read (2005) further state that the individual learning and experience will cause decision-making logic to move towards effectuation, while less experienced managers make decisions based on causation logic to a greater extent. The same authors further state that an opposite transformation in decision-making logic takes place at an organizational level. Hence, learning becomes an important factor to consider when trying to understand the rationality of decision-making on all levels.

Learnings are built on gained experiences that in turn affect the behavior of an organism, a process referred to as learning (De Houwer, Barnes-Holmes & Moors, 2013). The same authors however criticize this common view of learning and instead develop the following definition - *"changes in the behavior of an organism that result from regularities in the environment of the organism"* (De Houwer et al., 2013: 1). The end product of this process, here referred to as learnings, are most interesting for this research. Following this definition, learnings are built on the experience gained from the environment in which an organization is in contact with.

In order to develop relevant learnings, the gained experience needs to be relevant and applicable to specific decision-making problems (Harms & Schiele, 2012). This can be seen by the previous mentioned fact that effectuation is often used in internationalization decisions by individuals with a large degree of international experience (Harms & Schiele, 2012; Read & Sarasvathy, 2005), while more internationalization experience does not necessarily lead to more effectuation based

decision making (Harms & Schiele, 2012). The influence that experience has on decision-making rationality is thus dependent on how much relevant learning the organization has attained.

Furthermore, the process of learning always starts with the individual (Madsen, 2005), and organizational learning is therefore concerned with the transfer of individual knowledge to the collective level (Zhang, Macpherson, & Jones, 2006; Hsu & Pereira, 2008). The organization learns if any of its units acquires learnings that can be potentially useful for the organization (Hsu & Pereira, 2008). Behavioral patterns in internationalization develop as the organization gains experience in the international field, i.e. through systematic expansions, resulting in increased performance (Bingham & Eisenhardt 2011). Zhang et al. (2006) describe the acquisition of knowledge to occur in various ways, but in order to achieve learnings on an organizational level, the knowledge needs to be interpreted and embedded in organizational systems. Thus, after relevant learnings are acquired, the information must be interpreted, distributed and embedded in organizational systems and routines in order to reach the organizational level (Ibid). In line with this, Wijnhoven (2001) states that a mismatch between organizational routines and experience would imply that organizations miss out on relevant learnings. Organizations that operate in more complex environments have to deal with a larger number of dissimilar problems, implying that the organization has to split learning activities on more experts (ibid.). Hence, organizations and their structures are claimed to have a substantial effect on the learning process (Cyert & March, 1963), creating relevant learnings for the organization.

2.3.4. Heuristics as an Influencing Factor on the Logic Employed in Internationalization Decisions

Heuristics and routines have been mentioned as an influential factor for effectual reasoning, using a set of gained experiences to solve unpredictable problems and grasp contingencies (Bingham & Eisenhardt, 2011). Schweizer (2015) further states that heuristics and routines seem to be important determinants for the decision-making logic employed in SMEs.

Heuristics is defined as -"any principle or device that contributes to the reduction in the average search to solution" (Newell, Shaw, & Simon, 1962: 85). Heuristics supply few, if any, details of the individual situation. By contrast, a routine provides a detailed response to a narrow problem that may not even be perceived as a problem, since its solution is at hand (Burkhart et al., 2004).

Building on the earlier discussion on relevant learnings, heuristics comes as another form of institutionalized experience, that shape the approach of organizations in the events of non-routine problems (Nelson & Winter, 1982), or when the environment is characterized by uncertainty (cf. Eisenhardt & Sull, 2001). This behavior under uncertainty is further exemplified by Bingham and Eisenhardt (2011: 1448) regarding internationalization - *“firms learn a common rule structure for a range of similar country entry problems (heuristics), but do not learn extensive details and precise steps to be applied consistently in every country entry (routines)”*.

Routines are another form of learning, characterized by patterns of action that are formed from experience, which often arise in repetitive situations under low uncertainty. Routines form very detailed and quasi-automatic solutions to problems that might not even be considered as problems. Most research agrees that routines increase the efficiency in performance, reliability, and speed, in these more certain environments (Bingham & Eisenhardt, 2011).

However, not all decision-making takes place in such environments. Instead, the problem in organizational decision-making lies in finding a course of action that will fulfill the aspirations of the organization (Sarasvathy 2001). Due to uncertainty, and the often limited amount of information, time and capacity surrounding decision-making, in particular when operating on an international arena, routines may be impossible to develop (March & Simon, 1958). The authors further state that a manager never can be assumed to provide the optimal solution to a situation, but only a satisfactory one, thus an optimal solution is always unlikely to be achieved. Hence, in events characterized by limited information and high uncertainty, the decision-maker ends up with making heuristics instead of following routines (Bingham & Eisenhardt, 2011). Sometimes these heuristics are qualitatively far from the intended rationality that most companies strive to have behind their decisions (Sarasvathy & Simon, 2000; Chandra, 2007), i.e. looking to choose a new market for entry in the context of international expansion, this problem will likely be solved by taking the first market, with no known disturbing factors, that satisfies the main objective, as it will appear as the logical choice, even without having considered others. But heuristics also offers another interesting perspective on how firms absorb experiences. Eisenhardt and Sull (2001) show that heuristics is more flexible, and enable a more coherent capturing of unexpected opportunities. Simple heuristics may therefore be a more rational decision-making strategy in environments characterized by uncertainty, than analytically complex and information-intensive approaches. It exploits information out of known contexts, considering all factors that can come

to affect the result, but gives no detailed answer in how to address the problem at hand, therefore leaving room for capturing opportunity (ibid.).

Hence, both heuristics and routines are examples of organizational learning that function as options that come to mind as solutions to problems recognized by the decision-makers, ultimately forming companies to work in familiar patterns (Betsch, Fiedler, & Brinkmann 1998). Bingham and Eisenhardt (2011) further argue that organizations learn a set of heuristics as they gain experience, and develop a structure, rules of thumb, of how to instinctively deal with problems. Solutions that have proven useful in the past are thus often preferred also in the future, and as long as a result is deemed satisfactory, decision-makers tend to opt for these familiar patterns (Kalinic et al., 2013; Minniti & Bygrave. 2001).

2.4. Theoretical Summary

The existing literature has presented different views on the discussion of effectuation and how it can be applied to understand internationalization decisions. Considering this research, some factors appear influential on the decision-making logic employed in internationalization decisions. These aforementioned factors can be categorized as decision-maker's perception of the problem space, relevant learnings, and heuristics and routines.

The following model in figure 1 is summarizing contributions from existing literature. However, due to a lack of research on the level of influence of each factor, this model presents each factor with an equal level of influence on the logic employed in internationalization decisions. This is why the proximity to the decision-making logic is equal for all factors presented in the model. Further, considering our research question, looking at the growth process of the firm, existing theory cannot provide a theoretical framework. The potential changes of each factor's influence, during an organization's growth process, have been left unnoticed in existing research. Therefore, the aspect of growth, and potential changes throughout this process, is not included in the summarizing model in figure 1.

Influence on the logic employed in internationalization decisions

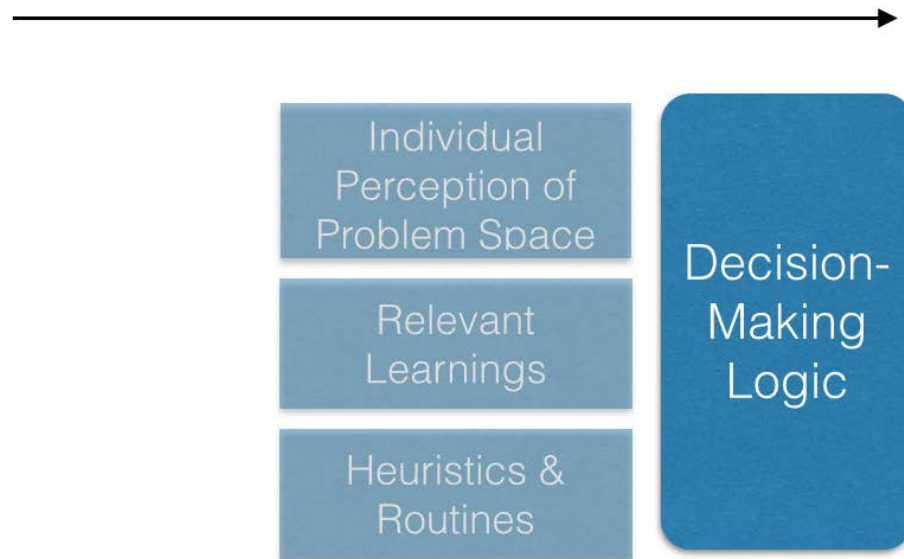


Figure 1. Factors Influencing the Logic Employed in Internationalization Decisions.

3. Methodology

This chapter describes the methodology used when writing this thesis. It starts with the chosen research approach, where our qualitative approach is motivated together with the decision to conduct a single case study and to adopt an abductive approach. This part is followed by our research design, and later goes into detail on why CO was chosen as our research unit and how the data gathering was conducted. The chapter continues with a description of our analytical process, and ends with the qualitative assessment of our findings.

3.1. Research Approach

This study attempts to compare the logic employed in internationalization decisions during the growth process of an organization, in order to investigate the factors influencing this logic and

how each factor's influence develops throughout this process. Although Sarasvathy's (2001) conceptualization of effectuation logic has been utilized to gain a better understanding of organizations' internationalization decisions, effectuation is still an upcoming research field and much is therefore left to be explored, especially outside the entrepreneurial context, focusing on smaller firms. With our ambition to further improve this understanding, an exploratory research approach was deemed necessary. As advised by Sreejesh, Mohapatra, and Anusree (2014) and Jacobsen (2002), this approach is favorable when aiming to more precisely define a problem in the absence of research on the subject. In this regard, Ghauri and Firth (2009) argue that a qualitative approach is preferable in exploratory stages, while Jacobsen (2002) also mentions the possibility to gain a nuanced and comprehensive understanding with qualitative studies. Jacobsen (2002) further highlights the benefit of allowing more flexibility with a qualitative approach, where theory can be modified in accordance with the empirical findings. In line with this reasoning, a qualitative approach has been utilized to explore this relatively unknown research field in the context of a growing organization, emphasizing the logic employed in its internationalization decisions.

In order to answer our research question, thus find the factors that influence the logic employed in internationalization decisions during the growth process of an organization, and how this influence develops throughout this process, a case study was deemed necessary. This is motivated by the how question posed in our study (Yin, 2009), together with the lack of research on the area of interest for answering our research question (Eisenhardt, 1989). Further support for this approach is the opportunity to provide rich descriptions of specific events (Yin, 2009), which in our case is the decision-making logic employed in each international expansion. Accordingly, a case study was conducted, where one single case has been investigated. Confined by time and access to other companies, any alternative case study approach was not possible. However, a single case study generates a deeper understanding of the phenomena of interest (Jacobsen, 2002), and allows extending theories in exploratory studies (Ghauri & Firth, 2009), which again corresponds with the how question and the exploratory research approach in our study. Due to our confined time, we also believe that an additional company may have required a compromise between depth and breadth, where we would choose the former and thus consider a single case study suitable with respect to our conditions for conducting this study.

Due to the lack of research on decision-making logic in a growing firm's internationalization, and our ambition to investigate this unexplored research area, this study has been following an

abductive approach. Hence, the inductive and deductive approach has been combined (Davidson & Patel, 2003). This derives from the fact that our empirical findings called for an ongoing review of the initial theoretical framework, in order to answer the research question and fulfill our purpose. Davidson and Patel (2003) also mention that adjustments and changes of the theoretical framework may be required, as the empirical findings might be unexpected and therefore should be further looked into. In our study, the interviews were based on our theoretical framework of decision-making logic, thus following the deductive approach (Davidson & Patel, 2003; Jacobsen, 2002), while our empirical findings not only changed, but also added to the theoretical framework, thus more in line with an inductive approach (Davidson & Patel, 2003; Jacobsen, 2002). Hence, we have constantly reviewed and developed our theoretical framework throughout the research process, where the differences in decision-making between small and large firms have been added to the theoretical framework, and the factors that showed an influence on the logic employed in internationalization decisions have also been further explained in that section.

3.2. Research Design

This section describes and motivates why the specific case was selected and how the qualitative data was gathered.

3.2.1. Research Unit and Sample

As previously mentioned, there is a lack of internationalization research based on effectuation and causation logic for firms other than SMEs, which motivates this study of a growing organization. With our ambition to find the influencing factors on the logic employed in internationalization decisions and explain how this influence develops, the international retailer, CO, was chosen for our single-case study. It should be mentioned that the main reason for investigating CO was the fact that we were allowed access to an organization and the employees involved in its internationalization decisions. However, CO was a suitable research unit for several reasons.

Firstly, the company started its internationalization with a minor business in Sweden, consisting of only two stores. This characterizes a smaller organization that has been investigated in previous research on the logic employed in internationalization decisions. However, the subsequent expansion decisions have resulted in a growing organization, which has not been investigated in previous research. Thus, CO's internationalization makes it a suitable case study as it allows an investigation of an organization's decision making logic over time, following a

growing organization, and therefore fills this gap of research. In this regard, some of the people involved in the initial internationalization decisions are still working at the company, and could therefore provide empirical data for each internationalization decision.

Secondly, the firm has recently incepted a new markets division that is fully dedicated to CO's future expansions. One of the main objectives for this unit is to investigate previous internationalization decisions in order to find improvement opportunities. The aim of the group was thus in line with our purpose, which resulted in a mutual interest in the topic. This facilitated our access to empirical data and offered fruitful conditions for cooperation.

Lastly, although CO has mainly expanded to European countries, the firm is also engaged in a franchise agreement in the United Arab Emirates. Hence, the firm offered an investigation of internationalization decisions that not only entailed wholly owned subsidiaries in neighboring countries, but also other entry modes in distant markets. This allowed a broader range of variables and aspects to be considered when investigating the decision-making logic employed in a growing organization's internationalization.

3.2.2. Data Collection Method

The empirical data in this study has been gathered from primary and secondary data sources, where the former comprises interviews with employees at CO, and the latter contains official reports and the company web site. The secondary sources have been utilized for confirming dates for the different expansions and describing the context of the company, while the interviewees have been the foundation for explaining the decision-making logic employed in CO's internationalization. It should also be mentioned that some of the interviews were complemented with further clarification and/or additional questions, which was conducted through email and phone calls.

The interviewees were selected by discussing the people involved in previous expansions together with the New Markets Manager at CO. In line with our research question, each internationalization decision had to be explained and fully understood. Our ambition was therefore to generate several perspectives from different departments, on each expansion, in order to fully understand the decision-making. This resulted in interviewees involved in making internationalization decisions and those involved in the preparatory work for these decisions. However, Bell and Bryman (2011) also mention snowball-sampling as an alternative for finding

the most suitable interviewees, which we adopted in the first interview with the Expansion Director, as this person's suggestions resulted in other employees being interviewed.

The interviews were conducted through face-to-face meetings, except from one video call, and lasted between 50 and 120 minutes, depending on the number of expansions experienced by the interviewee. Jacobsen (2002) describes face-to-face interviews as suitable for a more personal and informal contact with the interviewed person. We therefore wanted to meet the interviewees in person, but had to conduct one video call, due to time constraint and a finite budget. In order to conduct the interviews, we travelled to CO's offices in Insjön, Stockholm and Gothenburg. The interviewees decided the location and the interviews were held at their respective home office, except for the interviews with former employees. This is suggested by Trost (1997), mentioning that the interviewee is more comfortable and willing to contribute if they determine the location for the interview. The full list of interviews is displayed in table 2 below.

Manager	Title	Location	Interview type	Date	Interview length
Manager A	Expansion Director	Insjön	Face to face	2015-02-12	117 min
Manager B	Category Manager	Insjön	Face to face	2015-02-13	50 min
Manager C	Chief Controller	Insjön	Face to face	2015-02-13	82 min
Manager D	Chief Purchasing Officer	Insjön	Face to face	2015-03-03	63 min
Manager E	Former Chief Purchasing Officer	Insjön	Face to face	2015-03-04	96 min
Manager F	Chief Financial Officer	Insjön	Face to face	2015-03-04	62 min
Manager G	Project and Operations Manager	Stockholm	Face to face	2015-03-05	96 min
Manager H	Business Development Manager	Stockholm	Face to face	2015-03-12	74 min
Manager I	New Markets Manager	Stockholm	Face to face	2015-03-12	71 min
Manager J	Project Manager	Gothenburg	Face to face	2015-03-19	52 min
Manager K	Deputy Chief Executive Officer	Gothenburg	Face to face	2015-03-20	62 min
Manager L	Range and Sales Manager	Gothenburg	Video	2015-03-24	86 min

Table 2. List of interviewees.

3.2.3. Interview Protocol and Interview Process

The interview approach was based on our ambition to understand how CO's internationalization decisions have been made. Bell and Bryman (2011) mentions that the semi-structured interview approach allows for a predetermined interview path, but also provides flexibility in the process, as it allows for unanticipated issues. Hence, it was suitable for generating an understanding of the interviewee's experience of each internationalization decision, within the predetermined path of effectual and causal logic. The flexibility was necessary due to the broad representation of departments in the interviews and the explorative approach of our research, which implies a greater variety of answers and thus varying outcomes of the interviews.

Accordingly, we developed an interview guide (see appendix), with open-ended questions based on the literature on decision-making logic. Furthermore, a semi-structured interview approach was adopted, in order to allow for follow-up questions and the opportunity to adjust the questions to the situation (Bryman, 2002). Each of the interviews were therefore somewhat unique as the interviewee was steering the conversation, while we were following up on specific statements and focused on covering the effectuation and causation logic. This approach is further claimed to depict the real picture of a phenomenon and thus enhances the internal validity (Jacobsen, 2002).

The interviews were preceded by a phone call where we introduced ourselves and described our research, which was followed by an email with specific areas that the interviewee was encouraged to consider before meeting us in person. With this approach, we wanted to assure that the persons were able to answer our questions and also gave them the opportunity to prepare, as the questions required the interviewees to elaborate on past decisions.

After explaining the purpose of our research, the interviews started with general questions around the person's background, where both education and work experience were included. We specifically asked about the interviewees' previous role(s) at CO in order to understand what their responsibility and work tasks had been during each expansion, and what experience they had from other job(s) within the firm. After the initial introduction of the interviewee's background, we proceeded by asking about the first expansion experienced by that person. In line with our ambition to cover the whole decision making process, we wanted to cover the expansion in a chronological order, from opportunity recognition to store opening, and therefore continued with the subsequent phases of the specific expansion. The subsequent questions on that specific expansion was also determined by the answers and thus turned more towards specific follow-up questions as the interview continued. When the interviewee had described the whole expansion, we first checked that we had covered our areas of interest, and then asked if they had anything to add. This procedure was repeated for the following expansions, where learning and changes from previous expansions also was included. The interviews were recorded with permission from the interviewees, which facilitates the transcription of the empirical data and the subsequent analysis of the empirical findings (Jacobsen, 2002). However, one interviewee refused to be recorded, which we managed by taking notes instead of recording the conversation. Furthermore, all interviews were held in the interviewee's mother tongue, which resulted in 10 interviews that were transcribed in Swedish and later translated to English in order to be presented.

3.2.4. Analytical Process

This study has been conducted without employing any electronic data analysis program. We have instead emphasized the methodology described below, consisting of four subsequent steps.

Firstly, we started by labeling the potentially influential factors from each expansion in every interview and later sought for corroboration with findings from the other interviews. This was intended to generate the factors that influenced the logic during the growth process of CO's internationalization. Alongside this process, each interview was followed by a documentation of key findings that supported a certain decision-making logic for each step in CO's internationalization.

Secondly, when all interviews were conducted, transcribed and triangulated with findings from other interviews, we started determining the logic employed in each of CO's internationalization decisions, which was based on table 1 in the theoretical background (see section 2.2.2.). The result can be seen in table 4 showing our reflections on CO's internationalization decisions (see section 5.1.).

Thirdly, with a clear categorization of CO's internationalization decisions and the potentially influencing factors, we compared these two findings in order to explain how the influence from the influencing factors developed as the organization was growing. This process was following a chronological order. Thus we started with the first step and continued until the last decision in CO's internationalization. With this approach, we realized that some factors could not be motivated and therefore got excluded, while others showed a clear connection with the changes in the logic employed in CO's internationalization decisions.

Lastly, when the influencing factors were determined, we turned to previous research in order to further criticize and/or support our reasoning. Thus, the theoretical framework was further adjusted in the last step of our analytical process.

3.2.5. Qualitative Assessment

In comparison to the traditional criteria of reliability and validity, often applied in quantitative studies, trustworthiness can be considered a more useful criteria for measuring quality in qualitative studies (Bell & Bryman, 2011; Jacobsen, 2002). However, trustworthiness still

concerns the production of reliable and valid knowledge in an ethical manner (Jacobsen, 2002; Merriam, 2009). In order to reach a high level of trustworthiness, and have any effect on either the theory or the practice of a field, single case studies must be rigorously conducted (Jacobsen, 2002; Bell & Bryman, 2011; Merriam, 2009). We have therefore adopted certain measures throughout the research process, in order to enhance the level of trustworthiness of our findings.

Firstly, we used triangulation by seeking coherency between findings from one interview with the subsequent interviews, and some of these findings were also verified through company documents. By adopting triangulation, the reliability was ensured and the transferability of our findings was enhanced (Jacobsen, 2002; Merriam, 2009; Yin, 2009). By the same token, our deliberate selection of maximum variation among the informants generated different angles of the decision-making, and thus enhanced transferability and nuanced our findings (Merriam, 2009; Yin, 2009). It should be mentioned, however, that all interviews required the interviewee to elaborate on past decisions, which can result in both polished answers and memories that diverge from the actual story. We have been well aware about this fact and therefore conducted a cautious analysis of the data and further triangulated our findings. What is more, we could only interview two people from the expansion to Norway, which may compromise the trustworthiness of this step in CO's internationalization.

Secondly, we have constantly strived for improving the transferability of our study through detailed descriptions of the different settings and the participants of the study, as well as our evidence in support of the findings (Bell & Bryman, 2011; Merriam, 2009).

Thirdly, the presented findings from the transcribed interviews were sent to each of the interviewees for review and confirmation. This is referred to as respondent validation, or member checks, where objectivity is sought for as the internal validity is improved and the credibility is thus enhanced (Merriam 2009; Yin, 2009). The validation was especially important for the Swedish interviewees, as their information needed translation to English in order to be presented.

Lastly, all of our relevant research steps, such as interview protocols, transcripts and analysis, have been carefully documented for potential reviews, which ensure the replicability of our study and thus enhance the reliability (Bell & Bryman, 2011; Merriam, 2009). In addition, our decision to keep the same interview guide with only minor adjustments, and to conduct and transcribe the

interviews with both authors present, has prevented biases or errors and further improves the reliability of our study (Merriam, 2009; Yin, 2009).

4. Empirical part: The Case of Clas Ohlson's Internationalization

In this chapter the empirical material in our case will be presented. This material is based on interviews with twelve managers involved in the decision-making process in CO's internationalization, combined with internal company documents and the company's homepage. The chapter starts by introducing CO and its business, continuing with an overview of the firm's international expansions. It will thereafter provide a more detailed presentation of the expansions one by one, introduced in a chronological order. The events in each of the expansions will also be presented chronologically, in order to provide a clear overview of the whole decision-making process.

4.1. Introduction of Clas Ohlson

CO started as a mail order company in 1918 in Insjön, Sweden. In addition to the mail order business, this new firm also functioned as a retailer for the local area. The company was long driven by family members, and it was not unusual that more than one generation of the family

worked alongside each other. The shareholding spread outside the Clas Ohlson family in 1999, when the company was listed on Nasdaq OMX Nordic Exchange, but the family spirit is still a proud part of CO's heritage, exemplified by the head office being located in Insjön (CO, 2015; CO, 2014).

The company has constantly grown to become a household name and is estimated to be one of the most recognized brands on the Swedish market. The wide range of products in CO's retail stores, in combination with knife-edge market knowledge, constitutes a competitive advantage, offering smart solutions for both home and office. The product range is divided into five segments; Tools, Electronics, Multimedia, Home and Leisure. In 2014, CO had revenues exceeding three billion SEK in the Swedish market, accounting for 46 percent of the total turnover (CO, 2015; CO, 2014).

CO started its internationalization by entering the Norwegian market in 1991. Since then, the company has constantly expanded its store network to become an international retailer. Today, the company has 4700 employees and revenues of seven billion SEK, generated from roughly 200 stores spread across 5 different countries, including Sweden, Norway, Finland, Great Britain and the United Arab Emirates. The business is still very dependent on the Nordic markets, as Sweden and Norway together accounts for approximately 86 percent of the total turnover, while Finland contributes with roughly 10 percent of total revenues. It is thus a strategic target to increase the share of CO's business outside these markets (CO, 2015). The following table 3 provides a brief overview of CO's internationalization and is followed by a chronological description of each subsequent expansion in CO's internationalization.

Year	Expansion	Description
1985	<i>Mail Order Business for Norway</i>	With several Norwegian customers travelling to Insjön, just to shop at the store, CO seized the opportunity to start servicing these customers through mail order in 1985.
1989	<i>Expansion to Stockholm</i>	A facility in Stockholm was out for sale and the broker called to see if CO was interested in expanding its business to Stockholm. This resulted in the company's second store opening in 1989.
1991	<i>Expansion to Norway</i>	Preceded by the mail order business for Norway, the company began its internationalization in 1991 when the first Norwegian store, and CO's third store, was opened in Oslo.

2002	<i>Expansion to Finland</i>	Filled with confidence from a successful expansion to Norway, CO felt that there was a demand for its concept outside of Sweden. This resulted in an expansion to Finland, where the first store opened in Helsingfors in 2002.
2008	<i>Expansion to Great Britain</i>	CO started pursuing the goal of becoming a European retailer when the company initiated an evaluation of new markets in March 2005. The company announced its decision to enter Great Britain in March 2006, and in November 2008, the first British store was opened in Croydon.
2014	<i>Franchise Expansion to United Arab Emirates</i>	SYH Retail contacted CO in 2013 and offered an opportunity to set up franchise cooperation for the Gulf Cooperation Council region, and in particular for the United Arab Emirates. Later that year, in September 2013, CO decided to pursue this opportunity and the first franchise store was opened in Dubai in April 2014.
2015?	<i>Expansion to Germany</i>	CO informs the market in December 2012 that the company has initiated an investigation of German speaking countries. This is followed by an announcement in June 2013, saying that two new stores will open in northern Germany. In June 2015, the first store has not yet been opened.

Table 3. Milestones in CO's Internationalization.

4.2. Norway

The mail order business in Norway started in 1985 and stemmed from the many Norwegians who shopped through the Swedish mail order and from those who travelled to Insjön to shop in the store. This interest resulted in an investigation of the Norwegian market, where assortments and price levels were examined in order to evaluate the potential of a mail order business for Norway. *“We soon realized that the price level was a lot higher in Norway, with one exception, so there was a potential margin that was not available with Swedish prices”* (Manager E). The CEO pushed for expanding the CO concept, emphasizing the necessity to dare and learn from any mistakes. He once said *“He who makes 10 good business deals and all of them turn out well, he is doing something wrong, and the one who makes 100 business deals and 90 turn out well, he is doing something right, and the 10 that is not good, you do something good with”* (Manager E). At this point in time, CO had two stores in Sweden and the organization revolved around a few key people within the purchasing department *“Purchasing was at this time our only department, and it was the owner family that held these positions. There was no market-, no sales- and no PR-department, all of these tasks were conducted by the*

purchasing department” (Manager E). The purchasing department, the management team and the board of directors worked closely in a flat organization -*“We were heavily integrated in each other, so there was really a short distance between purchasing, the board and the management team. It was actually the same forum, regardless of where the discussions were held, but one forum was more formal than the other”* (Manager E).

CO expanded to Stockholm and opened its second store in 1989, which emerged through an inquiry from a broker who asked if CO was interested in establishing a store in Stockholm. The expansion was an instant success, and the company gained both confidence and experience that facilitated the subsequent internationalization to Norway. This expansion was thus not planned, but would probably have been pursued sooner or later -*“The expansion to Stockholm was a success from day one, and if that would not have worked that well, then the next step to Norway may have been lingered”* (Manager A). This experience, together with the low financial risk of only having to pay rent for an abandoned store, decreased the perceived risk and increased their confidence in proceeding with the expansion. CO also felt that there was a great benefit in already having the mail order customers and local ambassadors before entering Norway. The expansion was thus made without evaluating other potential markets, and without an extensive market analysis, no external consultants were involved, apart from a close contact with local authorities, and it was financed with CO’s own capital, -*“Everybody was positive about Norway as we had established a mail order business, it was a natural step (...) it was something that we wanted to try* (Manager A).

Based on the success in the Stockholm city center, the approach in Norway was to locate the stores in central districts with heavy traffic. The next step, before the first store opening, was to recruit a local person for the Store Manager position. However, the ambition to have this person in place before store opening was not met, due to a postponed recruitment process. Therefore, a Swedish Store Manager with good experience from CO’s operations in Stockholm was the first Store Manager on site to set up the operations -*“It was a simple way to solve the first period of operations, as we did not find anyone else at first. This can also be a learning, to stay cool sometimes, you do not always have to take the first, best option, just because it is available”* (Manager A). After the first store was opened, in 1991, the new CEO for Norway soon realized that the prices were low and they could therefore increase their margin -*“That was a learning, we need to evaluate and research the market better before entering a country”* (Manager A). Also, the necessity to build brand awareness was later acknowledged. CO had some ambassadors in Norway, but not enough for utilizing the same PR campaigns as in Sweden. Other issues were discovered regarding the range. Some agents had distribution

agreements for specific brands and product lines for the Norwegian market, which forced CO to compromise with these actors in order to operate in that market. *“We knew some of this before we entered, but did not expect all of the issues with the suppliers, and that is totally different today when we enter new markets”* (Manager A). These learnings were considered important and part of the investment - *“The first investment, the first store, that is a store that you learn from, just as we did with the first store outside of Insjön, when we opened in the galleria in Stockholm”* (Manager E).

4.3. Finland

After a successful expansion in Norway, the company felt confident that there was a demand for their concept outside of Sweden - *“The confidence within the company was high”* (Manager C), and the firm wanted to continue its internationalization. CO was determined to pursue its expansion-plans by expanding within the Nordic countries, much due to the proximity to Sweden and the similarities between the markets, - *“It was either Denmark or Finland, Europe was not considered at this time”* (Manager A). The brand recognition was also assumed to be greater amongst the geographically proximate countries, as the stores in Stockholm and Malmö already attracted many Finnish and Danish customers. CO started with an investigation of Denmark - *“It was around 1993-1994, we looked rather thoroughly at the city center in Copenhagen”* (Manager A). However, the margins in Denmark were compromised by a weak Danish crown and by expensive rents in Copenhagen. What is more, competition was intense, both from Danish and German companies, and there was a concern regarding the brand recognition. CO was also aware of several Swedish companies with failing operations in Denmark. Therefore, no concrete operation was established in Denmark.

In 1996, the chairman of the board was appointed as CO’s new CEO - *“He was more cost focused in his investments, more investigation and calculation was required before we approached a new country”* (Manager A). The structure also changed, with more specific tasks for the people involved in evaluating new markets - *“The analysis of Finland was much more thorough than the analysis of Norway. This stemmed from our learnings in Norway and maybe the fact that the company was more mature when it came to entering a new market”* (Manager A). In 2000, after evaluating various factors, Finland was selected as the next step, and the first store opened in 2002. *“We looked at prices, competition, legal aspects, VAT and establishment opportunities”* (Manager C). It should also be mentioned that CO now was a public company, as it was listed in 1999.

The expansion to Finland was not as obvious as the Norwegian expansion, CO was more uncertain about the Finnish market - *"It was necessary to perform a lot of fieldwork, to later sit down and compare lists, realizing that parts of our product range would not fit the Finnish market, and some brands had to be replaced, price levels, and all that"* (Manager E). Contacts with the local authorities were established in an early stage, which facilitated CO's understanding of the rules and the regulations. Manager B describes how this had proved to be an effective way to adapt to the new market in Norway - *"Up to this day, we have a good cooperation with the authorities in Norway, so it was obvious that we should go and see them, which turned out to be very positive"*. The input from local authorities in combination with the market research was the foundation for adapting the products to the local requirements, tastes and preferences. However, no other external actors were engaged - *"We worked with relatively scarce resources, it was only us, we did not use any consultants or companies to help us with this. We learned by making mistakes and hopefully we minimized them, but this was how we operated"* (Manager E). CO used its existing auditing firm and bank contacts to get in touch with the right local partners in Finland. Other preparations included the translation of CO's catalogue from the very start, this would help the brand to gain recognition from a larger crowd. What is more, a central prime location for the first store, and a more comprehensive marketing solution, would further enhance the brand recognition.

During the implementation of the CO concept in Finland, the company realized the limitations of its marketing campaign. The brand recognition had been overestimated - *"We had a slogan in 2002 that said -We are the treasure chamber for the whole family. So we used this slogan in Finland as well, and had an insertion where this was printed. Then people came to us and thought we were named -The Treasure Chamber-. We thought Clas Ohlson would be obvious in every country, but of course it is not"* (Manager C). This approach was later replaced by a more campaign-driven marketing approach, in order to enhance customer awareness. The start in Finland was also hampered by a poor understanding of store operations in the Finnish market, especially in terms of product range adaptations.

4.4. Great Britain

CO had now realized its international potential, and there was a will by the board of directors to expand and get a foothold on the European market. Soon after the expansion to Finland, a new chairman of the board was appointed, with extensive internationalization experience as Group CEO at Ikea - *"He had a positive experience from Ikea, and his recommendations was of course very important for the board's decision"* (Manager C). The new chairman of the board had a clear recommendation,

Manager C quote him by saying -"*Clas Ohlson is such an interesting company, so why should you limit yourselves to the Nordic countries when the whole of Europe is right in front of you?*"

In early 2005, the board decided to initiate an investigation of several European markets, where geographical proximity to existing operations was the main concern. The factors under investigation were still the same as before and the organizational structure was roughly the same. In the market analysis, the potential of CO's concept, price-levels and costs were considered, which provided an estimate of potential margins in each market. However, the market research differed somewhat from previous expansions -"*We were more thorough in our research from the very beginning (...) you basically had to study the country in a way that was different from how you studied the Nordics*" (Manager B). In Great Britain (Hereinafter referred to as GB), rents were high and competition fierce, however compensated by a large population with strong purchasing power. The opportunity also derived from the fact that the British market had no actors with a concept similar to CO's, which made it evident that there was a gap of unsatisfied demand that could be filled. What is more, the GBP was very strong in relation to the SEK, while personnel costs were relatively low. Hence, this market could offer lucrative margins -"*Our financial calculations looked rather promising, at least on paper*" (Manager C). However, the purchasing department suggested Germany, looking at the additional workload that the adaptation of products to the British electrical standard would imply, and did therefore not recommend GB. On the other hand, Germany had fierce competition and the British adaptations were also considered an entry barrier by the competition, which gave CO an opportunity to enter. Eventually, in March, 2006, after approximately one year of market research, CO announced its intention to enter the British market.

The geographical distance, and CO's perception of the cultural distance, was greater for the British market than for any previous expansion. However, they knew what they were facing -"*They have other rules, different plugs and left-hand traffic, and the product design is different on a lot of products (...) we were aware of the differences before entering*" (Manager B). The expansion was launched without any previous connection to the market and the brand recognition was therefore negligible among the British consumers. Other important differences between GB and CO's other markets were the complicated bureaucracy and the necessity to adapt the product range to the British electrical standard. What is more, the perceived risk distinguished GB from previous expansions -"*We all agreed that the risk was higher (...) it is definitely a greater risk in expanding outside of the Nordics*" (Manager C). The people involved conducted a more thorough analysis as well as extensive preparations,

and Manager J decided to meet with external actors in GB, such as the trade counsel and the chamber of commerce, in order to generate the necessary knowledge. At this time, Manager J had no experience from internationalizing a business, nor from the British retail market -*"I had to understand this for my own sake (...) so it was pure self-preservation that motivated my decision to go there"*.

Although the organization had grown since the previous expansion, CO still operated with the same type of organizational structure when preparing for the British market. Hence, a handful of key managers were responsible for most operational areas, while experiences from previous expansions were guiding the decision-making. Manager J elaborates on this early phase of preparations -*"When we talked about how we were going to launch CO in GB, there was really no one who could take a holistic approach, so we did as we had done it in Norway and Finland"*. However, based on the learnings from Finland, some central decisions were made; the first store should be located in a certain area, the location for future stores were already determined, and a local administration with a Country Manager, who could contribute with local knowledge, should be in place before the first store opening.

In 2007, during the preparation for the expansion to GB, a new CEO was appointed, with international experience from major American Fast-Moving Consumer Goods (hereinafter referred to as FMCG) companies. Up to this point in time, CO's headcount had grown remarkably, without many organizational changes, but the new CEO decided to restructure the organization. This change was intended to integrate functions, increase the operational efficiency and create a global organization with a new concept for international markets. Accordingly, key personnel were headhunted for the new departments and management positions, while a more task-focused global matrix-organization was formed. *"He started to build a group-organization. We were going to work with matrices, business areas of Sweden, Norway and Finland, and certain group-specialists were then placed into this organization"* (Manager J). The new personnel had experience from other ways of working, and many new processes were developed, i.e. how projects were organized. The new structure, however, was a major organizational change -*"Our organization was really flat until 2007 (...) I think that we are interesting in that regard, as we have two different eras of global expansions"* (Manager D). The need to effectively allocate people in tasks had grown with the expanding organization, areas that had not been acknowledged before - *"I think that one learning is, that when a company is performing well, the art of thinking critically, is very hard"* (Manager J).

CO's intended location for the first store in London proved hard to access. At this time, the British economy was flourishing and the attractive locations were occupied, which hampered the access for an unknown brand on the British market -*"It took a long time until we found the location for our first store"* (Manager A). The board of directors wanted a certain expansion pace, based on the obligations to the stock market, which put additional pressure on finding the first store location. Eventually, CO managed to find a facility outside of London, in Croydon, where the first store opened in November, 2008. In this implementation stage of the expansion, CO resembled the process from Finland, by using its Swedish bank to establish a bank connection and engage an auditing firm in GB.

The first store opening coincided with the financial crisis that turned the British market around and completely changed the conditions for CO. Several retailers, amongst them Woolworth with over 700 stores, filed for bankruptcy just over night. This affected the real estate market and attractive store locations became available all over the country. With this major change in mind, the expansion strategy for GB was reviewed. CO decided to continue its expansion outside of London with access to attractive locations all over GB. Hence, the unfortunate effect of the crisis also brought new opportunities that could be exploited -*"When looking back in 20 years, maybe one would say that it was a good thing that the crisis opened up the real estate market"* (Manager C).

The conservative British consumer base was known from before, however, some aspects were more complicated than CO knew before entering the country. The difficulty of building brand awareness had already been encountered, but the CO-concept was new in GB, and the shopping experience was relatively complex, which caused additional implications for the marketing department. The need for local adaptation appeared to be even more extensive than expected -*"Clas Ohlson did not fully understand the UK market when they came in to it (...) but, what I mean by that, is that they had not done enough research on the range and what the UK customer buys"* (Manager L). What is more, balancing the trust between the own product range and the adaptations needed, according to local experts, turned out to be a complex decision. Manager D mentions this among the most important learnings from GB -*"We have learned a lot there, most of all, to believe in our product range, so that we do not turn into just another actor over there, but that we enter the market and dare to be unique. It is very important for Clas Ohlson, to keep its identity"*. Manager K adds to this reasoning -*"It is equally important to keep our edge, and adapt to the local market"*.

The potential, acknowledged from the initial investigation of the British market, had a lot to do with a strong GBP at the time, conditions that changed drastically with the crisis in 2008. Manager A describes how they learned from this experience -*“That was a learning, not to be too overly positive regarding the revenue. Costs are easy to anticipate and control, but the revenue on the other hand is something you never know and it cannot be predicted”*.

4.5. United Arab Emirates

There was no real plan to enter the United Arab Emirates (hereinafter referred to as UAE), plans for future expansions had instead been aimed at the European market -*“The United Arab Emirates idea came a little bit like a bolt from the blue, if you put it like that”* (Manager A). However, in 2013, one of the managers at SYH Retail, part of Al Homaizi Group of Companies, was visiting Sweden and entered a CO store. He gets fond of the concept and gets in contact with CO through the chairman of the board, proposing a franchise agreement. The top management group at CO was interested and started to look into the franchise concept, as it would imply a completely new way of working. After evaluating the opportunity, CO realized that this was a great chance. Manager C mentions the franchise opportunity with SYH Retail -*“There were no drawbacks, there were only benefits for us”*.

CO was aware of the risks related to a UAE expansion. First of all, there is a long geographical distance separating UAE and Sweden, which inhibits logistics, and the cultural distance is possibly even larger. The complex regulatory framework is further implicated by an amorphous bureaucratic system. What is more, foreign firms with an interest in operating in UAE, must align with a local partner, and this would not only be a new experience for CO, but also for the managers involved in the project. In spite of these barriers, this opportunity showed great potential. There is no VAT, the economic growth and the purchasing power is high, and the franchise mode reduced the risk of operating in an unfamiliar market. *“You know, the easiest thing with a franchise is that, you know, you do not take all the risk (...) risk as in terms of expanding in an area where you do not know the marketplace”* (Manager G). Due to the fact that CO is a listed company, this stage in the evaluation of the UAE expansion was conducted by a small group of people. Most personnel, even in higher managerial positions, did not know about the UAE opportunity until it was announced as the next step in CO’s international expansion.

Selected people, specialized in their field of business within CO, were assigned to perform an analysis on different parts of the UAE-market, trying to evaluate the potential and if there was a

gap among the actors that CO's concept could fill. CO used existing routines and expertise within the organization to evaluate the market, which resembled previous expansions, but in a smaller scale due to the circumstances. Manager K described the approach in comparison to previous market entry decisions - "*A new operating model, such as franchise, of course raises a few new questions, while the general approach itself is fairly similar*". However, a large portion of the research was conducted by the partner organization, which assisted in providing information about local regulations, and for building an understanding of the local market. CO's focus was therefore to evaluate and study the market, but also the partner. This was different from previous expansions, which had included research on several markets, where no partner firm was involved. After this phase of evaluation, in September 2013, the two partners decided that the first store should open in April 2014, and be located in Mirdif City Centre in Dubai.

The new franchise concept placed CO in a new situation, where more than its own interests had to be taken into account. The deadline for the project was set on short notice, only seven months, which required an alternative approach to the market research conducted in previous expansions, and pushed the organization to perform beyond what some people involved thought was possible. This required CO to allocate what resources it had, to work hard, and find ways to reduce time in operational processes, while adapting decisions during the process. Manager G described the decision-making during the implementation - "*Just because we always do it this way, that was not an option now, because if we do it this way it will take three months, and we need to do it in one month (...) we had some ways of working that were never done in Clas Ohlson before*". The same manager mentions that no former employer could have solved it in seven months, but CO is different - "*This entrepreneurial culture that we have, means that you have a lot of people around you that can think outside of the box*".

With a totally different market, CO knew that the range had to be aligned with local conditions in UAE. This proved to be a challenging task, not only for understanding customer preferences, but also in terms of the regulatory framework. What is more, finding the right instance to gather information about product regulations seemed almost impossible. In line with this, the input from the partner organization proved to be rather unspecific and not always compatible with CO's ways of working. Manager L described the situation - "*We did not do enough research on the legal requirements, we just believed what we were told by SYH*". This implied a lot of additional work in adjusting the range, several products had to be excluded, while others were still missing in the range after the store was opened. In order to cope with similar situations in the future, more time

will be provided and comprehensive market research will be conducted before entering. This would further enhance CO's ability to make strategic decisions, and exploit local opportunities, also in distant markets. Other challenges are harder to predict. To prepare for such situations, CO finds it necessary to be flexible and responsive to unforeseen circumstances, and by working more proactive. This applies for both regulatory aspects, using worldwide acceptable standards for products, as well as for operational uncertainties, such as scheduling for extra hold-ups in transportation time and logistics. Manager G explains the reasoning - "*So you build in contingencies to ship into, or to anything you do, you build in contingencies for the "what-ifs", so then you do not put at risk an opening date or all those other kinds of stuff. It is very much proactive. Again, it is the "what ifs", is it not?*"

The UAE expansion was considered a test for the organization, which might prove to be an important step for CO's future - "*The store in Dubai may be just as important as the expansion to Stockholm, in 1989*" (Manager C). With the experience gained in that expansion, supported by documentation of the operational process and development, CO now has a working franchise concept that may offer rapid expansion-opportunities for distant markets in the future. In line with this, the company is currently developing a manual for how to evaluate and enter markets with a franchise concept in future expansions.

4.6. Germany

In 2011, GB had started to recover from the financial crisis, and CO's British stores faced increasing sales. This meant that there was now room for further international investments, managed by the "*burn-rate*", a predetermined percentage of sales that can be invested in international expansions. CO's board announced that several markets would be investigated, more than in previous expansions, and all of them within a short geographical distance from current operations, which would facilitate logistics. However, before any investigation was initiated, the expansion to GB was reviewed, in order to gather learnings and experiences that could facilitate CO's future expansions.

In the following phase, comprehensive research was conducted, including factors that proved important in previous expansions, and additional factors of interest. Two countries were later selected for further analysis. With input from the chamber of commerce and external consultants, CO compiled a more detailed investigation, where key figures were compared between the two countries. The report included a presentation of the potential of each of these alternatives and a recommendation to the board of directors. In particular, the price levels had proved important in

previous expansions, affecting the financial result, but also to what extent the product range should be adjusted to local preferences was carefully investigated. Manager F describes this process -*"The decision-making process is thorough, yes we have visions set by the board of directors, then we conduct an investigation to see where we will go to next time, break this down to an investigation, and then present a recommendation for a decision to be taken by the board of directors. They will support the investigation or say – go back and reevaluate the options. In this case, it was that we should proceed with Germany as our 5th country"*. In June, 2013, after evaluating the two countries, CO announced that Germany would be pursued as the next expansion step, and that the first store could be launched in 2014, at the earliest.

Germany was not an unexpected decision, it was considered in CO's previous expansion plans, even before the expansion to GB, and there had long been a positive attitude towards the country, not least among some board members with German origin. What is more, some of CO's major suppliers were located in Germany, and as they shared a mutual interest in CO's expansions, they encouraged the decision and supported the organization with valuable market information.

When now approaching the German market, CO wants to utilize learnings from previous expansions, and improve in every aspect of its preparations. External resources have been brought in at an earlier stage, in order to verify CO's findings, and the analysis of the market is far more extensive and detailed. Local preferences and behavior is being mapped beforehand, based on input from partners and internal investigations. The time frame is stated as a key factor for enhancing the chances of a successful entry, as it takes time to understand a market, find the right location, and to establish a new brand in a new market. Manager G describes the new approach -*"In Germany, the first thing to do with the launch meeting is to invite somebody from Germany, to tell us about the German market. Just so we get a feeling, before we even start, what is the feeling, what is the marketplace like there, you know, what kind of things go on, what are retailers like. And that is something that we have learned for next launches, it is to, you know, take more time to invite experts in, to tell you about the marketplace, even before you start the pre-study in a project phase"*. Thus, in Germany, CO has deliberately not set an entry date, in order to provide the time necessary to make well-grounded decisions. With this careful approach, the first store opening will be made when a good location is found and the timing is right. To completely avoid unexpected events during an expansion is hardly realistic, but with this thoroughly structured approach, the company seeks to limit uncertainties to the greatest extent possible. One example is the German Project Manager, with experience from the local market, whom is running the project.

The growth of the organization, and CO's focus on international expansions, have resulted in further organizational changes. In this regard, a new department called New Markets, was incepted in July 2014. This department is responsible for setting up and running the new franchise concept and franchisees, as well as responsible for the expansion into new markets with CO's own business concept, starting with evaluation, preparation, implementation and running the business during the first operational phase. Manager I describes the department's mission – *“First we have the pre-study, where we should establish, why and how, on a high level, based on our learnings and market conditions. Then the project phase, how we introduce and establish Clas Ohlson in the new country as efficiently as possible and with the best possible quality. Then there is the third step, how we operationally and strategically run our business in the beginning, when we need to establish our brand, generate growth and develop our staff”*. Hence, the management of expansion-projects is centralized to New Markets, instead of depending on different local management groups, during the early stages of establishment. This is intended to reduce administrative costs by dedicating responsibility to a group of people that will work exclusively with developing the expansion performance of the company. The people involved are now dedicated to the project and do not have other tasks that would interfere with the expansion process. What is more, in order to gather experiences and generate knowledge, further emphasis is put on increasing documentation in the ongoing processes and for previous expansions. This increased focus and expertise within the expansion area will further facilitate the evaluation and capturing of new expansion opportunities. The projects are also more formalized and run in accordance with a project framework, as the Project Manager is required to follow certain phases and deliver in the right order, which improves the efficiency in running projects and facilitates the allocation of resources between projects.

To this date, the first German store has not been launched. Thus, time will tell when and where the first store will open.

5. Analysis

This chapter presents an analysis of the decision-making logic employed in CO's internationalization, in three steps. The first one is a descriptive analysis, where we reflect on the decision-making logic employed in the different expansions, based on the characteristics of effectuation and causation logic summarized in table 1. The second part is a more detailed discussion concerning what factors influenced the decision-making logic during CO's growth process. The last part presents how these influencing factors affect each other, completing the analysis of the factors that are influencing the logic employed in internationalization decisions during an organization's growth process.

5.1. Reflections on the Logic Employed in Clas Ohlson's Internationalization Decisions

With this study on the decision-making logic employed in CO's internationalization, it is evident that changes have occurred as the firm has been growing. On the one hand, these changes are not groundbreaking in respect of the current stream of research on SMEs (Chandra, 2007; Kalinic et al., 2013; Schweizer, 2015). On the other hand, how this logic develops during the growth process of an organization, has not been studied before, and can thus be presented through our research.

Table 4, presented below, constitutes a summary of CO's expansions and presents our reflections regarding the decision-making logic employed in each internationalization decision. The categorization in this table is based on the characteristics of effectuation and causation, which is presented in table 1 (see section 2.2.2).

Decision	Main Logic Employed	Describing the Logic Employed
<i>Expansion to Norway</i>	<i>Effectuation</i>	<p>Means: CO benefited from already having the mail order customers and local ambassadors before entering Norway. Thus, previous stakeholder commitment through mail order led to the new opportunity to open the first store in Norway.</p> <p>Creation, Means: No other market was investigated, Norway felt like the natural choice, due to already established stakeholder commitment, without any extensive analysis of local market conditions.</p> <p>Can: CO worked with what it could do with its resources, hence no external actors or consultancies were involved.</p> <p>Contingency: The CO-concept was tested beyond the borders of Sweden with an open-minded approach where mistakes were deemed necessary in order to develop further.</p>

<p>(Not initiated) Expansion to Denmark</p>	<p>Goes from Effectuation To Causation</p>	<p>Creation, Can, Means: The choice to look into Denmark was based on effortless heuristics, expecting to limit the risk by continuing the expansion on a proximate market where customers had experiences from visiting CO's store in Malmö and thus recognized the brand.</p> <p>Should, Prediction: However, Denmark was excluded based on market analysis. Margins were also expected to be low due to a weak Danish crown and expensive rents in the city center.</p> <p>Competition: The competition was intense and concerns were raised regarding CO's brand recognition.</p>
<p>Expansion to Finland</p>	<p>Goes from Effectuation To Causation</p>	<p>Creation, Means: The Finnish market was chosen without considering other markets as alternative expansion opportunities. There was an already established stakeholder commitment as Finnish customers were visiting the store in Stockholm. This was the logical next step for CO's internationalization, following effortless heuristics.</p> <p>Can: No consultants or external actors were involved in the evaluation of Finland or in the decision to enter the market, instead internal resources and already established connections were utilized.</p> <p>Prediction, Should: There was more market research on Finland before the first store opened, based on the learnings from Norway and new directions from the CEO.</p> <p>Should: Changes in the range of products, both regulatory and to local preferences, had to be made in order to enter the Finnish market.</p> <p>Expected Return, Prediction: Also prices and margins were discussed, and the profitability was predicted to be sufficient.</p>
<p>Expansion to Great Britain</p>	<p>Causation</p>	<p>Goals, Commitment, Competition: In line with the board's vision of becoming a European retailer, Germany was also considered at this stage but not chosen, much due to the fierce competition on the German market.</p> <p>Should, Prediction, Expected Return: GB was chosen after extensive investigations of several European markets. Based on this market analysis, GB was expected to yield the highest margins, a strong demand for CO's concept and promising growth opportunities.</p> <p>Should: Before opening the first store, further market analysis was conducted to cope with local challenges. The pre-study was mainly focused on the product range and the related regulations, and external actors were also included at this point, in order to gain a better understanding of the local market conditions and the requirements for entering the British market.</p>

<p><i>Franchise expansion to the United Arab Emirates</i></p>	<p><i>Effectuation</i></p>	<p>Partnership: The opportunity emerged from an investor who was interested in a franchise agreement, which CO decided to act on by partly relying on the partner relation to establish a new concept in a new continent.</p> <p>Contingency: This expansion was an unexpected decision, as no market outside of Europe had been discussed. In addition, CO had no experience from conducting a franchise operation, but a limited perceived risk spurred CO to shift strategy.</p> <p>Creation, Can: No alternative options, or partners, were evaluated when the initial opportunity came up. The organization had to work with what it had and what it knew, and developed innovative ways to solve upcoming challenges, in order to grasp the contingency ahead.</p> <p>Means: Heuristics guided the research and CO relied on the partner firm for further information and market knowledge.</p>
<p><i>Expansion to Germany</i></p>	<p><i>Causation</i></p>	<p>Goals, Commitment: This step was also coherent with the board's vision of becoming a European retailer.</p> <p>Should: Germany was selected after a comprehensive research on several European countries. The analysis was thorough, comprising more factors and countries than in previous expansion decisions. External experts were involved in an early stage to generate an understanding of how CO should operate on the German market.</p> <p>Prediction: The German market was considered the best option based on a long-term business perspective.</p>

Table 4. The Logic Employed in CO's Internationalization Decisions.

In previous research on SME's changes in decision-making logic, several scholars have discussed whether any trend can be discerned for internationalization decisions. The findings, however, can be described as somewhat contradicting. On the one hand, Chandra (2007) suggests that a firm's decision-making logic transition from effectuation to causation logic, which is supported by Kalinic et al. (2013), showing subsequent expansions that turned more towards causation. On the other hand, Schweizer (2015) finds support for a transition to quasi-causation logic, but considers this trend to be rather weak and ambiguous.

With our research, following a retailer's internationalization over 24 years, neither of these findings can be supported or rejected (see table 4 above). While the first internationalization step to Norway shows a similar logic as these studies, the growing organization later diverged from this trend. The following two decisions were initially based on effectuation logic, but later turned towards causation logic. Hence, none of these expansions are challenging previous findings. In

the first step outside of the Nordics, however, the decision-making logic is similar to the findings of Chandra (2007) and Kalinic et al. (2013), with causation logic employed, while the following decision to enter the UAE through a franchise agreement is more in line with Schweizer's (2015) findings, as the logic changes and effectuation is employed. Whether CO's ongoing expansion to Germany will continue to follow causation logic is too soon to tell, but the decision-making has thus far developed into the most apparent causation logic throughout the firm's internationalization history. To conclude, the development shows that CO turns to stronger causation as it grows, while the UAE expansion is a clear exception from this trend.

The reflections in table 4 are also referred to in the following sections, where the factors that have influenced CO's decision-making logic will be discussed.

5.2. Factors Influencing Clas Ohlson's Logic Employed and their Relationship during the Growth Process of the Organization

When looking at CO's internationalization history, some interesting findings can be discerned. There are mainly two specific aspects that have not been highlighted in previous research on internationalization decision logic, and they appear very clearly in this case study.

Firstly, the influencing factors seem to change in their level of influence on decision making logic during a firm's growth process, i.e. the impact that one factor has on decision-making logic varies from one point in time to another. Secondly, it also seems that the factors affect each other during the growth process, i.e. they can hardly be separated from each other and their relationship is therefore important to consider. These findings are presented with a proposed model in figure 2, together with more detailed explanations in the following paragraphs.

Influence on the logic employed in internationalization decisions

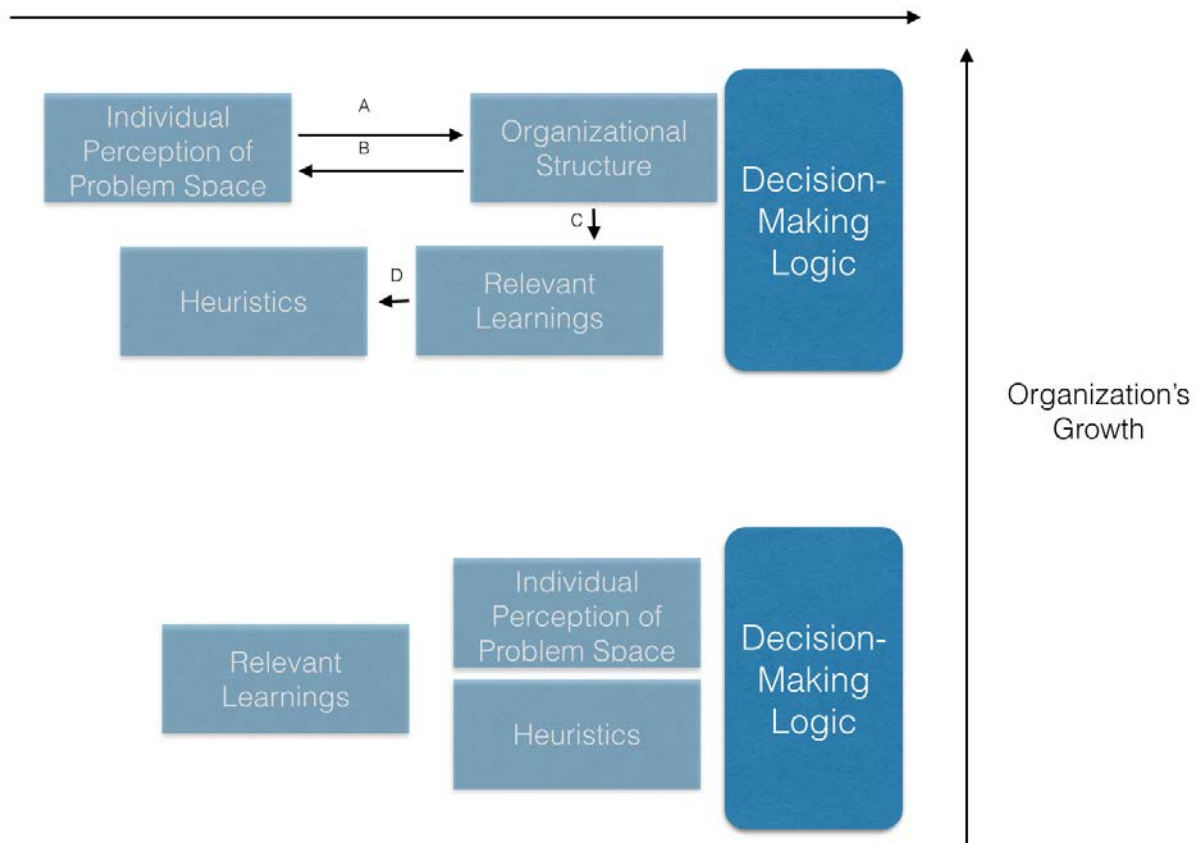


Figure 2. Factors Influencing the Logic Employed during the Growth Process of an Organization.

The influencing factors are presented in figure 2, illustrating two stages of an organization's growth process, stretching from a small organization to a stage where the organization has grown significantly. The exact timing for the presented changes cannot be determined; it rather seems to be an ongoing process of incremental changes during the organization's growth process. However, the organizational structure, which is decided upon at some specific point in time, appears to have a triggering effect on these changes, due to its impact on the other influencing factors. This relationship will be further discussed in the following sections.

The influencing factors have been categorized as; decision-maker's perception of the problem space, relevant learnings, heuristics and organizational structure. The influence from each factor on the logic employed in internationalization decisions will change during the organization's growth process, illustrated by the space between the influencing factors and the decision-making logic box. Three of these factors can be seen in the initial stage of the growth process, while organizational structure is added in the later stage, as it evolves during the growth process of the organization. However, it is premature to suggest the exact level of influence of these factors, the

model rather suggests that the level of influence varies between the factors and thus illustrates each factor's influence in relation to the other factors.

The model further illustrates that one factor will affect another factor, which increases or decreases the latter's influence on the logic employed in internationalization decisions. Following the arrows from A to D, it can also be seen that interdependence exists between the different factors. Thus, the influence that one factor has on another factor will indirectly impact a third factor in a later stage. However, the nature of these factors, in themselves, does not seem to change during the initial growth process of the organization, instead it is the relationship between them that evolves, or simply becomes visible, after a certain point in the growth process. This can also be explained by the fact that these changes are firm specific, which is illustrated in arrow A, showing that an individual decision-maker determines the structure of a growing organization, and different individuals may make different decisions. This is also suggested as an explanation to the previously mentioned complexity in determining the changes in each factors influence on decision-making logic. Thus, the timing of the decision made in arrow A will vary from one firm to another, meaning that the timing for when the influence of these factors are changing, as well as when these factors starts to affect each other, is firm specific. In other words, the changes will occur, but the exact timing is not possible to foresee, even for organizations of equal size.

The following four sections will present the factors that influence the logic employed in internationalization decisions, and how the level of each factor's influence is changing during the growth process of an organization. Thus, a more detailed analysis of the space between the factors and the decision-making logic box illustrated in figure 2. In order to further explain the arrows presented in this model, these four sections will be followed by an analysis of the impact that the influencing factors have on each other, starting with section 5.2.5.

5.2.1. The Decision-Maker's Perception of the Problem Space

We argue that the logic employed in CO's initial internationalization decisions was influenced by the individual decision-maker's perception of the problem space. This influence, however, seems to decrease over time, as the organization is growing and the structure is changing.

In the literature on decision-making in SMEs, several scholars state the importance of understanding the decision-maker's individual traits, such as the willingness to take risks (Schweizer, 2015) and individual experience (Dew et al., 2009; Harms & Schiele, 2012; Kalinic et

al., 2013; Schweizer, 2015). In spite of this attention, much research is still neglecting the individual by describing the problems faced in objective terms, from a firm level, and not from the actual decision-maker's perspective (Andersson, 2011; Chandra, 2007). This reasoning has been criticized by Schweizer (2015), mentioning that personal characteristics have proved important for the creation of new effects, and for the nature of an organization's internationalization, which further implies that personal characteristics can be included in order to understand the decision-maker's perception of the problem space, and therefore the logic employed in internationalization decisions. This reasoning is further supported by the initial internationalization decisions in our study, where decisions are influenced by the individual decision-maker's perception of the problem space.

The impact from individual decision-makers on smaller firms is not a newly discovered phenomenon (Child, 1972), and the first two internationalization decisions in our study show how the decision-maker's perception of the problem space had an influence on the logic employed. When CO entered Norway as an SME, decision-making revolved around few key managers, including the CEO, whom pushed for an expansion of the CO-concept, and thus influenced the logic employed in CO's decision. This can be seen in Manager E's quote of the CEO - "*He who makes 10 good business deals and all of them turn out well, he is doing something wrong, and the one who makes 100 business deals and 90 turn out well, he is doing something right, and the 10 that is not good, you do something good with*", and the same manager's view on the decision to enter Norway - "*The first investment, the first store, that is a store that you learn from, just as we did with the first store outside of Insjön, when we opened in the galleria in Stockholm*". Accordingly, the suggestion by Schweizer (2015) is also applicable for CO's decision to enter Norway, as the CEO's willingness to take risks and focus on learning was influencing his perception of the problem space, and thus the logic employed in CO's decision. In this case, effectuation was employed, they reasoned from the perspective of what they knew and worked with grasping contingencies. If new opportunities appeared, the CEO encouraged the decision-makers to approach them.

The subsequent decision to enter the Finnish market further supports the above reasoning. This time, CO had a new CEO with different traits and therefore another perception of the problem space - "*He was more cost focused in his investments, more investigation and calculation was required before we approached a new country*" (Manager A). Unsurprisingly, the expansion to Finland was preceded by more research and the decision to enter was based on future predictions. Hence, the small group of key managers within this SME, changed its decision-making logic due to the new CEO's

perception of the problem space. This finding is further supported by other research on SMEs (Chandra et al., 2009; Schweizer, 2015), showing that the arrival of new professionals change the logic employed in decision-making. Therefore, due to the fact that few key managers are involved in making internationalization decisions in smaller firms, we argue that the logic employed is influenced by the individual decision-maker's perception of the problem space.

In line with this, with a growing organization, a decrease in the influence from individual manager's perception of the problem space can be observed. One example is CO's first decision to expand outside the Nordics, where Manager J motivate the decision to engage external actors - *"I had to understand this for my own sake (...) so it was pure self-preservation that motivated my decision to go there"*. This manager had no relevant experience, which influenced his or her perception of the problem space and subsequently his or her decision-making logic employed. However, this perception of the problem space was one out of many that influenced CO's final decision to enter the British market, while previous expansions relied more on a few key manager's perception of the problem space.

Another example is the ongoing decision-making process for Germany, where several specialists are involved. Due to this careful deliberation, the contract for the first store is not yet signed, but when all information is gathered, and all preparatory work is conducted, CO will make a final decision on where and when the first store will be launched. Hence, with more individuals involved in a more comprehensive decision making process, more individual perceptions will influence the decision. CO's decision logic can therefore be claimed to rely more on a bigger group's collective perception of the problem space, as a result of growth, and not only on some individual decision-maker's perception of the problem space. This reasoning is further supported by the lack of empirical findings in support of any specific individual's perception of the problem space that has influenced the logic employed in later expansions.

The examples mentioned above can thus be explained by CO's growing organization. First, as the firm expands and the organization is growing, more people get involved in the decision-making process. Second, it is evident that the decision-making process is more comprehensive and involves several departments, which allows more individuals' input to be taken into consideration. Third, due to the structural changes following growth, the decision-makers have specific areas of specialization, within which they contribute with input based on their perception of the problem space. (See connection B, in section 5.2.5.). This decision, however, is not directly

influencing the logic employed in internationalization decisions, instead an indirect influence can be seen as the new organization reinforces the causation logic in future expansions. Hence, the new CEO, with international experience from major FMCG companies, had restructured the organization based on his perception of the problem space, which later influenced the logic employed.

The new conditions for CO's decision-making distinguish how changes occur as an organization is growing. This finding cannot be seen as controversial, or firm specific, as differences in decision-making between organizations of different sizes was acknowledged over 30 years ago (Nelson & Winter, 1982). Therefore, we argue that the growth of an SME will eventually result in less influence from individual decision-maker's perception of the problem space on the logic employed in internationalization decisions.

5.2.2. Relevant Learnings

We argue that in the early stages of CO's internationalization the influence of relevant learnings on the decision-making logic is low, due to a lack of experience. As the organization grows and gains more international experience, relevant learnings, applicable in more situations can be formed. Hence, its influence on decision-making logic seems to increase over time.

Sarasvathy (2001) states that transformation from effectuation to causation in decision-making logic is influenced by the fact that the individual decision-maker learns and gains knowledge over time. This is also seen at an organizational level as the organization grows and gains more experience the same transformation in decision-making logic is likely to take place (Read & Sarasvathy, 2005). Learnings thus seems to have an effect on the decision-making logic employed in organizations (Schwietzer, 2015). In the case of CO, we find several examples of how it creates learnings from the expansions. As an example, in Norway, CO had initially set prices too low, negatively affecting the margin. When CO, some years later, started to look at the next market it had learned that an important part to consider before entering a new market was to look at the local price-image. This was later one of the parameters that favored the choice of Finland in front of Denmark. Hence, the experience and learnings from Norway made CO investigate the intended market further, before making the decision to enter Finland, implying the use of causation logic in the decision-making. In order to make efficient use of experience like this, it however requires that relevant international experience has been gained (Harms & Schiele, 2012).

In the early expansions (Norway and Finland), decisions were not based on relevant learnings, but rather on heuristics (see next section 5.2.3. on heuristics). However, as CO grew, it gained an increased amount of international experience causing a systematic change in the underlying decision-making logic. Looking at the subsequent expansion to Finland, CO realized that local knowledge was an important factor, in order to fully understand the local market preferences and to be able to manage local businesses accordingly. Due to different pre-conditions, that existed in previous markets, concerning the established brand recognition, the experience and knowledge gained from the Norwegian expansion could not be applicable to the Finnish expansion in this matter. In Norway, CO already had significant brand recognition before entering, and product preferences were similar to the Swedish market. This was not the case in the expansion to Finland. Thus, the lack of relevant international learnings of the conditions on the Finnish market complicated CO's ability to perform a similar market approach.

Later, when approaching GB, these relevant learnings from Finland were taken into consideration when deciding upon the entry strategy. It was decided that, in order to avoid the same difficulties as in Finland, a local administration had to be in place before the first store opening. The logic of causation was used in the sense that a local administration was established in GB, due to the lack of local knowledge experienced in Finland. Further causation logic can be related to this decision in terms of the preparation. By setting up a local administration, with the aim of achieving local adaption, CO predicted what should be done in order to enable successful operations in GB. This is not only implying that CO utilizes relevant learnings from successful decisions in previous expansions, but also from decisions with room for improvement, thus affecting decision-making also in that regard (cf. Kim & Miner, 2007).

The expansion to the UAE is a later example in CO's internationalization, further stating the importance that experiences and learnings gained must be relevant to the problem faced in order to influence the decision-making logic. Even though CO had gained international experience before approaching the UAE, it lacked knowledge about the local market, and not least regarding how to run a franchise business. Again referring to the research of Harms and Schiele (2012), stating that experiences must be relevant in order to influence decision-making logic, we argue that the lack of relevant learnings impeded CO's possibility to leverage on past international experience and learnings. Hence, a lack of relevant learnings is likely to exist, even in later internationalization stages, which in turn influences the decision-making logic employed. We

therefore argue that if the experience is relevant, then relevant learnings can be absorbed and subsequently influence the decision-making logic in similar situations.

An additional finding in this case is that the influence of relevant learnings appears increasingly influential over time, which can be recognized in the decision-making behind expanding to Germany. As mentioned, the date for the first store opening is not yet decided, which is based on learnings from the British expansion, where CO found that a too hasty commitment could be costly and lead to strategic divergence. The company has acknowledged from the British and the UAE expansions that time for thorough preparation is a success factor in its internationalization. We see that successful decisions in previous expansions are also adopted in the German case, relevant learnings have thus led to a more comprehensive investigation phase preceding the market entry, compared to previous markets, further enhancing the adoption of causation logic in CO's decision-making. International experience seems to be gathered over time, and as the company grows, successful heuristics and experiences are institutionalized in organizational behavior through more formal mechanisms (Zhang et al., 2006, Hsu & Pereira, 2006). Routines and policies are created as the organization grows, seemingly enhancing the use of relevant learnings. As an effect, this also enhances causal reasoning in decision-making, due to the fact that the mechanisms for a more analytical and predictive decision-making process have been created.

Bingham and Eisenhardt (2011) describe routines as repetitive standardized patterns of actions dealing with a narrow problem space, more applicable in environments characterized by certainty. In the case of CO's internationalization, it could be argued unnecessary to elaborate on routines, concerning its decision-making, to any larger extent as such internationalization decisions are still low in numbers. Only five expansions have been made at writing date, making routines, developed by repetitive patterns, hard to develop in this context. The uncertainty, and the often limited amount of information that surrounds international decision-making further hamper the ability to develop effective routines for international operations (March, 1958). Indeed, our case shows that routines appear more seldom than heuristics or relevant learnings in the internationalization decisions, but they do appear. However, these routines are not similar to the ones mentioned in existing theory on effectuation (cf. Schweizer, 2015), mentioned in connection to heuristics as cognitive shortcuts for problem solving. Instead, these routines are consciously developed through relevant learnings to be employed in contexts with low uncertainty. They create efficient standardized solutions for similar problems that CO faces during its

internationalization. These routines are in line with the description presented by Burkhart et al. (2004), stating that routines provide a detailed response to a narrow problem. An example of routines can be found in how CO determines how much to spend on internationalization operations each year, determined by a set “*burn-rate*”. This routine forms a solution to a repeating problem that CO faces each time the company seeks to approach a new market, which would otherwise have required active decision-making. Research has previously showed that routines increase efficiency (Bingham & Eisenhardt, 2011).

Routines may therefore be consciously developed to create a solution that is deemed most effective for these specific conditions. We argue in the case of CO, that international decision-making routines are developed based on a repetitive pattern that has proved applicable to problems with high predictability, ultimate they form effective solutions that limit the necessity to go through careful deliberation for each market entry. Hence, in order to develop routines, the organization must gather relevant learnings in these areas. Just as relevant learnings, routines seem to escalate in influence on the underlying decision-making logic as the organization grows.

In line with this, we argue that CO, in its pursuit of developing into a European retailer, has gone towards employing more causation logic in its decision-making. This is emphasized by Manager I, stating the areas in CO’s internationalization process that are in focus for further formalization – *“First we have the pre study, where we should establish, why and how, on a high level, based on our learnings and market conditions. Then the project phase, how we introduce and establish Clas Ohlson in the new country as efficiently as possible and with the best possible quality. Then there is the third step, how we operationally and strategically run our business in the beginning, when we need to establish our brand, generate growth and develop our staff”*. Seemingly, CO tends to opt for causation logic when possible. Again, this is in line with the research of Kalinic et al. (2013), stating that decision-makers prefer causation above effectuation when facing internationalization decisions, if information availability and processing capabilities allow it. With lack of relevant learnings, for example when facing an unexpected event such as the UAE-opportunity, the organization has to rely on heuristics to a greater extent. However, following the logic that internationalization experience increases organizational learning (Hsu & Pereira, 2006) it is reasonable to conclude that a growing international organization is likely to gain more relevant learnings over time. The internationalization is formalized into more specific steps and courses of action, trying to find the optimal way on how to operate in a new market. Thus, for possible future franchise expansions, relevant learnings regarding franchise operations can be utilized based on the relevant learnings gained from the

expansion to the UAE. Following this logic, these new relevant learnings will also affect how CO approach franchise agreements in the future, and thus the decision-making logic employed.

In sum, the influence of learnings is seemingly not as powerful at the infancy of CO's internationalization as we can see in later stages. Considering how CO strives to work more extensively with causation logic in its decision-making, routines appear to be desired. The development of standardized routines is however impeded by the factors of uncertainty characterizing the international environment, making routines hard to build (cf. March, 1958). Since routines are developed through relevant learnings, brought from one expansion to the next, such routines are likely to increase as CO grows and gather more experience. CO does on several occasions try to pass on learnings from one country to another, in order to become more standardized in its actions and processes. Relevant learnings grow over time, and in later expansions, such as the preparations for Germany, relevant learnings from all previous expansions are thus influencing the decision-making logic.

5.2.3. Heuristics

We argue that heuristics is influencing the decision-making logic in situations where relevant learnings are not applicable. In the case of CO, heuristics is strongly influencing decision-making in the initial stages of its internationalization, but as the organization grows, and more relevant learnings are gained, this influence seems to decrease.

When trying to understand what affects the decision-making logic in the internationalization process in a growing organization, attention should be given to heuristics. The entrepreneurial theory emphasizes that the ultimate decision lies at an individual level (Kalinic et al., 2013; Read & Sarasvathy, 2005; Zhang et al., 2006). Thus, information regarding the individual decision-maker is important for understanding international decision-making, also amongst larger companies (Andersson, 2000). Despite this, as decision-makers change their perception over time, gain more experience, or even get replaced, operational patterns seem to very much rely on what the organization has experienced in the past (Schweizer, 2015). In this regard, Bingham and Eisenhardt's (2011) discussion on organizational learning, in the context of heuristics, is applicable in the case of CO. The same authors describe heuristics as cognitive shortcuts that provide solutions for problems in a wider context.

As our case reveals, heuristics seems to explain the logic behind many of CO's decisions made over its international journey. The organization has learned heuristics from its operations, and

experience from each previous market entry. The result can be noticed in the logic employed in subsequent market entries. For example, when approaching the Norwegian market in 1991, CO moved the existing business concept into a new market, working as CO had always done, approaching an already existing customer base. Such behavior should be categorized as heuristics. Decision-making of this kind is evidently in line with the characteristics of effectuation logic, using means and knowledge available to follow up on the opportunity recognized through already established connections. Heuristics is also visible after CO had established its business in Norway. As Norway proved successful, the selection of the next market became a choice based only on looking at another closely located market. Here, heuristics provided an effortless solution to the problem of choosing the next market, even though other markets could have been taken into consideration as well. This finding is in line with the research by Schweizer (2015), showing that heuristics is an important influencing factor of the logic employed in decision-making logic. Entering Norway was a first step into the international arena, where CO had no organizational experience. Thus, heuristics was utilized for guiding the decision-making under the uncertain circumstances, in the infancy of CO's internationalization.

Continuing along the timeline of CO's international expansion, we can conclude that new heuristics are gathered as the organization grows. E.g. the expansion to the UAE was something different from previous expansions, due to the franchise concept applied but also due to the distant geographical location. Thus, learnings that had been gathered in previous expansions were not all applicable in this one. As the UAE was an unknown market, solely relying on previous learnings was not enough in guiding CO's decision to approach the market. However, as described by Manager K - *"A new operating model, such as franchise, of course raises a few new questions, while the general approach itself is fairly similar"*. Facing a new situation, pressured by a constraining time limit, CO fell back on heuristics to guide the decision-making. The people involved worked with what they knew and what they could do with the resources available, and additionally developed a new franchise concept. This finding is in line with Bingham and Eisenhardt's (2011) research, stating that firms learn such portfolios of heuristics, providing organizations with solutions on how to successfully act under different uncertain circumstances, rather than learning specific routines. This becomes interesting in the light of decision-making logic. The logic of effectuation is employed in the decision to enter the UAE, seemingly affected by the lack of resources and information required for using causation logic. Some old heuristics were applied in a new context to deal with the previously not experienced situation. One example can be found in how CO evaluated the market potential of the UAE, utilizing a similar analysis to the one used

for evaluating GB, and based on similar factors. Further, heuristics was also used to create new ways of operating in order to make the franchise concept work. Hence, the growth of the organization, and an increased amount of international experience, does not necessarily imply that the organization has gathered relevant learnings for all contexts, or developed the appropriate routines for all particular situations. Instead, it is evident in this case that heuristics become important, working as cognitive shortcuts for decision-making, when the knowledge and information about the UAE-market was not available. Kalinic et al. (2013) support this view in their research, stating that effectuation logic, here embodied in the utilization of heuristics, when there is a lack of resources and information required for making decisions in line with causation logic.

Here, heuristics prove to be important for decision-makers also in this later stage of CO's internationalization, after CO has experienced significant growth. Yet, the situations where heuristics prove most influential on the decision-making is when relevant learnings on how to deal with such situations has not been developed. Further, we previously stated that the organizational growth is likely to enhance experience and relevant learnings. Following this logic, the room for heuristics is thus likely to shrink as the organization grow and obtain more relevant experience on the international market.

5.2.4. Organizational Structure

The organizational structure is the fourth factor that influence the logic employed in a growing organization's internationalization decisions. Previous research has shown what factors determine the choice of organizational structure, and how effective these might be in regards to certain circumstances and strategies (Child, 1972). The same author defines the term organizational structure as *"the formal allocation of work roles and the administrative mechanisms to control and integrate work activities including those which cross formal organizational boundaries"* (ibid.). The concept referred to as organizational structure is thus somewhat general in its nature, pointing out what structures within the organization that allows the organizations to work in a desired direction, and to achieve its objective (Martinez & Martinez, 2011). We claim that organizational structure will subsequently also affect how decisions are made, by steering decision-makers into a certain course of problem solving behavior. Looking into the organizational changes that CO experienced throughout its internationalization, we find clear support for this reasoning. When looking at CO's development, we argue that organizational growth will lead to structural changes that become increasingly influential on the decision-making logic employed. However, in earlier

stages of the internationalization, there is a lack of organizational structure, thus not having any influence on the decision-making logic employed.

Theory states that the size of an organization has a clear effect on the organizational structure. A small organization may utilize entrepreneurial thinking to a greater extent than larger organizations, and often employs a more personal driven organization, with informal central style of management (Child, 1972). Sarasvathy and Read (2005), looking at entrepreneurial firms growth, further state that the growth of the organization affects the processes to become more "corporate", and employs more bureaucratic processes, creating a more static and causal environment for decision-makers. Reviewing the literature on organizational structure and size, this change takes place due to two reasons according to Child (1972), both revealed in our case of CO. First, as the organization grows, directing a larger number of people in an effective way will require a more decentralized management system, with more impersonal mechanisms of control than before. Simply continuing with more centralized and personal driven management operations will not be possible as the amount of employees and the workload on the managers increases. Second, and probably most important in relation to decision-making logic, size will allow the organization to reap benefits from increased specialization within its different operational areas (Child, 1972).

As our case reveals, the decision-makers changed logic as the organization underwent structural changes throughout its internationalization. When entering Norway, the organization was very flat. A few key managers were leading the organization and made the decisions. This group of people was almost exclusively the purchasing department, signifying the core of the operations, and each person had a lot of responsibility. Thus, the lack of organizational structure left room for these minds to operate in the way that they knew best, and the decisions were therefore based on what they knew and what they could do with the means available. The decision-making was thus based on effectuation logic, where the organizational structure had little influence over the decision-making logic.

As pointed out by Manager E, in the case of CO's expansion to Norway -"*The first investment, the first store, that is a store that you learn from, just as we did with the first store outside of Insjön, when we opened in the galleria in Stockholm*". Learning was clearly desired in the early stages. Documentation was however poor, so learning was indeed generated, but in the absence of the proper organizational structure to absorb these leanings, it was very much stranded on a personal level. Hence, the lack

of organizational structure left a few managers with the decision-making power and knowledge, but as the organization grew, the ability to efficiently utilize these learnings lagged behind. Certain mechanisms, such as documentation, are necessary to take knowledge to the organizational level (Zhang et al., 2006, Hsu & Pereira, 2006). In CO's case, spreading the knowledge across the organization and involving more people was thus hard, which hampered its ability to work with causation logic in the decision-making processes. Hence, the organizational structure seems to have had a low influence on the decision-making logic in the first international expansion.

The organization was also structured in the same way when CO first turned its gaze towards the GB market. In accordance with Child (1972), CO had restructured its operations due to the increased size, but had yet to acknowledge the need for further specialization to reap additional benefits from the now much larger size of the organization. An analysis of the market and consumer preferences was made, but due to the lack of documentation, guidelines and routines, efficient utilization of previous learnings was still hampered. The new CEO, appointed during the expansion to GB, recognized this need. The organization was now restructured to better suit the new vision, set by the board of directors, to become a European retailer. All changes that followed were aimed at creating more specified working tasks, with higher specialization, and efficiency in operations. The individual influence of previous decision-makers remained important but their forums became more standardized and formal. Also documentation increased, in order to enhance learning on an organizational level, and projects were formalized into specific stages. Hence, the organizational changes were made in order to equip the organization to become more efficient in following the selected paths, set by the board, towards a determined end goal. Following this logic, as the organization grew it changed structure to become better adapted for utilizing causation logic in its internationalization decisions.

After the expansion to GB, the UAE opportunity came up. Approaching the UAE would necessitate a new organizational structure that could deal with a franchise solution. As previous international operations could not be compared with the new operations in the UAE, there was no organizational structure, or routines, in place to support a preferred reasoning according to causation logic. However, using thorough documentation, a franchise format was developed, providing a fast and standardized solution for future franchise operations, enabling decisions to be based on causation logic. In line with this, the organizational structure is built to enhance CO's ability to work efficiently with causation logic in its decision-making. Following this logic,

the organizational structure's effect on decision-making logic further increases as the organization grows and becomes more tailored to an organizational strategy.

The New Market department was also created for a similar purpose. By using an alone-standing department, with the assignment to facilitate the decision-making process for internationalization decisions, more standardized operational procedures can be developed, supported with the right expertise. This further places decision-makers into predetermined tracks of sub-decisions, aiming for an already set internationalization goal, in accordance with causation logic. Hence, CO's organizational changes have occurred both due to its increase in size, and the acknowledgment of the advantages that an increased specialization would imply. In line with previous argumentation, as the organization grew, CO changed its organizational structure to become more formalized and to facilitate the use of causation logic in its decision-making. However, we do not argue that this is the only route that organizational development takes, we only argue that the structure enhances the alignment between decision-making logic and the chosen strategy. Commonly, just as in CO's case, this involves finding a strategic position in the market and leverage on the known capabilities of the organization (Eisenhardt & Sull, 2001) In this regard, an alternative organizational structure could be to apply simple rules, and structure the organization in line with opportunity recognition and flexibility in operations (Ibid), thus enabling effectuation logic in decision-making. We therefore state that growing organizations develop a certain structure that will support a decision-making logic coherent with the chosen strategy. Thus, its influence on the logic employed in decision-making will increase during the growth process of an organization.

5.2.5. Connection A: The Decision-Maker's Perception of the Problem Space's Influence on the Organizational Structure

When looking at the connections between the influencing factors, we find that the individual perception of the problem space is influencing the organizational structure. We therefore argue that the individual perception of the problem space will have an influence on the organizational structure in a growing organization, which in turn increases the organizational structure's influence on the logic employed in internationalization decisions.

This case study clearly illustrates how CO's organization expanded throughout the firm's internationalization, while the organizational structure remained the same, except from minor changes, until the firm was about to enter the British market. At this time, the organization had experienced two international expansions, which resulted in a constantly increasing headcount,

yet the decision-making still resided amongst a few key managers. However, structural differentiation often follows growth, and results in greater heterogeneity amongst subunits, as well as specialized roles that are restricted to a certain area of expertise (Child, 1972). This is also evident in our study, as the new CEO decided to restructure the growing organization, in order to create a global organization with a new concept for international markets. It should be mentioned again that Schweizer (2015) suggests that the individual perception of the problem space is influencing the logic employed in internationalization decisions. Taking this suggestion into consideration, together with the structural changes at CO, we see no reason for why it should not be applicable to organizational changes in a growing organization. Therefore, we suggest that the new CEO's perception of the problem space was influencing the organizational structure, which increased the latter's influence on the logic employed in CO's internationalization decisions. Furthermore, after the structural changes, the previously employed causation logic was reinforced. Increased causation logic, due to the arrival of new professionals, is also evident in existing research (e.g. Chandra et al., 2009; Schweizer, 2015), but our study shows that the new CEO influenced the organizational structure, which in turn reinforced the already employed causation logic in CO's internationalization decisions. With the headhunted managers and new departments involved in making internationalization decisions, the resources needed for careful market analysis and evaluation was obtained, and the decision making logic was therefore focused on what should be done, thus in line with causation logic (see table 1). However, with a different perception of the problem space, the new CEO could have adopted an alternative structure, focusing on opportunity recognition and flexibility (Eisenhardt & Sull, 2001,) which would have resulted in a transition towards effectuation logic. Based on this reasoning, we argue that the individual decision maker's perception of the problem space will have an impact on the organizational structure in a growing organization, which results in an increasing influence from the organizational structure on the decision making logic employed.

5.2.6. Connection B: The Organizational Structure's Influence on the Decision-Maker's Perception of the Problem Space

We argue that the decision to restructure a growing organization, mentioned in connection A, will have an impact on the influence of individual's perception of the problem space. Furthermore, due to the new structure of a growing organization, the individual decision-maker's perception of the problem space will have less influence on the logic employed in internationalization decisions.

The direct impact seems to decrease over time, as CO involves more people in decision-making positions, and each individual's influence on the decision-making logic decreases. Carley and Behrens (1999) mention that such formal organizational structures, which place individual decision-makers in more specific tasks, constrain information flows to specific areas and thus decrease the influence of the individual decision-maker. In the case of CO, it can be seen after the structural change that took place during the expansion to GB. New personnel were recruited for top management positions in a more bureaucratic organization, containing several instances in the decision-making process, which in turn allowed many of these managers to participate in the international decision-making. Following this logic, decisions became grounded on the input from more divisions than earlier, limiting the influence of individuals' perceptions of the problem space. Further, in accordance with Nelson and Winter (1982), individuals in larger organizations are provided with more tools and policies for their decision-making, which are applied through more structured decision-making processes. In CO's case, the New Markets department was incepted, forming an additional decision-making entity along the other departments involved in the more formalized and bureaucratic decision-making process. This clearly shows how CO has gathered expertise around parts of the international operations, delegating decision-making to several structured entities, ultimately limiting the influence of each individual's perception of the problem space on internationalization decisions. Therefore, the development of organizational policies, and the structured decision-making processes, will decrease the influence from individual decision maker's perception of the problem space on the decision-making logic employed.

5.2.7. Connection C: The Organizational Structure's Influence on Relevant Learnings

The changes in the organizational structure, mentioned in connection A, will not only have an impact on the influence of the individual perception of the problem space, mentioned in connection B, it also affects the influence from relevant learnings on the logic employed in internationalization decisions.

As previously mentioned, during the expansion to GB there were significant changes in the organizational structure taking place. The new management and structure enabled a new way of operating for CO. Hsu & Pereira (2006) state that the internationalization process enhances organizational learning across borders as the organization is gaining international experience. Several authors also emphasize the organization and its structure as the agents for facilitating such a learning process (Cyert and March, 1963; Duncan and Weiss, 1979; Levitt and March, 1988). For CO, it became important to get knowledge beyond the individual level as the organization was growing, and more people was involved, not least in decision-making positions.

However, to turn experience into organizational learning puts pressure on the organizational structure (Martinez-León & Martinez-LGarcía, 2011). In the case of CO, It was deemed necessary to build a more structured organization in order to absorb as much learnings as possible, and subsequently increase the relevant learnings within the organization. Thus, as the organization got more institutionalized and formalized in its decision-making procedures, and in line with that more divisions and people got involved, the need for documentation increased to spread the relevant learning. CO started to look back on past experiences in order to better prepare for future expansions, e.g. a review of the expansion to GB was conducted before evaluating the German market. The need for more formalized learning procedures had been recognized in the expansion to GB, and now CO had the organizational structure to obtain it. When later entering the UAE, this expansion was documented from the beginning, building the foundation of a franchise concept that also could be applied in future markets. Documenting previous failures was deemed to help CO to avoid the same problems twice, and also to become better at predicting different market scenarios. Hence, the internal resources needed to employ the relevant learning were now obtained as well as the means for making decisions based on causation logic.

Another typical step in the organizational growth and development, according to Child (1972), is the realization of benefits related to increased specialization within the organizational operations. This is also evident in the case for CO. The change of organizational structure enabled CO to reap the benefits of specialization, not least from the new managers who were recruited for leading positions. The skills and experience from these individuals further enhanced CO's acquisition of relevant learnings. Hence, the organizational structure enables more relevant learnings to be absorbed, and later utilized in future internationalization decisions. We therefore argue that the organizational structure will have an impact on relevant learnings, which increase the latter's influence on the decision-making logic employed.

5.2.8. Connection D: The Relevant Learnings' Influence on Heuristics

The influence from the organizational structure on relevant learnings, mentioned in connection C, will subsequently result in an influence from relevant learning on heuristics. Therefore, due to the increasing influence from relevant learnings in a growing organization, we argue that the logic employed in internationalization decisions are less influenced by heuristics.

As mentioned before, in the initial internationalization decisions, CO employed effectuation logic and relied on effortless heuristics for making decisions. The organization revolved around few key managers who made decisions based on their perceptions of the problem space. This is not controversial when looking at other research on SMEs (e.g. Chandra, 2007; Schweizer, 2015). At this time, however, the organization lacked relevant learnings, and heuristics was therefore employed. Furthermore, with a growing organization that was restructured for absorbing relevant learnings and involving more managers in the decision making process, the decisions tended to rely more on relevant learnings and what should be done, in accordance with Read and Sarasvathy's (2005) definition of causation logic. In this regard, we agree with Read and Sarasvathy (2005) and Chandra (2007), suggesting that firms seek to employ causation logic when internal resources are sufficient. This suggestion is further supported by CO's current expansion to Germany, where the organization has gathered as much relevant learnings as possible, in order to make a final decision, and therefore leaves less room for heuristics to influence the decision making logic. Thus, the initial expansions were based on heuristics, due to a lack of relevant learnings, while the structural changes that enabled the absorption of relevant learnings have facilitated the reliance on relevant learnings, and thus decreased the influence from heuristics on the logic employed in CO's internationalization decisions. This reasoning support the fact that relevant learnings will have an impact on heuristics and result in less influence from heuristics on the logic employed in internationalization decisions.

6. Conclusion and Future Outlook

In order to answer our research question, this chapter presents our conclusions from the analysis and the related theoretical and practical contributions. The limitations with this study are then outlined together with suggestions for future research.

The concept of effectuation is still in its infancy, and several scholars call for further research on effectuation logic in a growing organization. This thesis has thus been conducted with the purpose to compare the logic employed in internationalization decisions during the growth process of an organization, in order to investigate the factors influencing this logic and how each factor's influence develops throughout this process. By adopting a case study of the factors influencing the logic employed in CO's internationalization decisions, this thesis is not only filling the gap in effectuation research, it also contributes to existing internationalization theory and theories on organizational decision-making from a growing firm's perspective. The following section will further answer our research question posed in section 1.3, thus rendering our findings and contributions.

Findings and Theoretical Contributions

With this study, covering the factors influencing the logic employed in internationalization decisions, and its development throughout an organization's growth process, three important findings can be presented. The first two findings are answering our research question, while the third finding extends contemporary theories and fills a gap in the literature on effectuation and decision-making.

Firstly, throughout a firm's growth process, the logic employed in internationalization decisions will be influenced by the decision-maker's perception of the problem space, heuristics, relevant learnings and the organizational structure. In this regard, the first three factors have been highlighted in previous research on logic in internationalization decisions, following a firm over a longer period of time. However, when looking at an organization during its growth process, the organizational structure will emerge as an influencing factor on the logic employed in internationalization decisions. With this finding, we complement existing effectuation theory by acknowledging the importance of organizational structure and its influence on decision-making logic. Further, this factor will not only emerge, it will arguably pose the strongest influence on decision-making logic, followed by relevant learnings. These two factors will increase in influence during the firm's growth process, while the opposite can be concluded for the decision-maker's

perception of the problem space, and heuristics, posing a decreasing influence on the logic employed in internationalization decisions. These findings are not only answering our research question, they further contribute to the internationalization and decision-making theory by improving our understanding of the factors influencing internationalization decisions, and why decisions may differ between organizations of varying size.

Secondly, the aforementioned factors are not only influencing the logic employed in internationalization decisions, they also affect other factors' influence on this logic. What is more, there is a relationship between them, where one factor will have an impact on another factor, which in turn result in additional impact on a third factor. This can be exemplified by the impact from the decision-maker's perception of the problem space on the organizational structure, and how the latter influence relevant learnings. Therefore, in order to analyze and understand the decision-making logic in an organization, these factors ought to be considered collectively, and not as separate factors without impact on each other. This finding further contributes to the contemporary discussion on effectuation, adding a new dimension to what ought to be considered in order to understand the underlying reasons for the logic employed in organizational decision-making.

Thirdly, previous research has suggested a transition from effectuation to causation logic over time. In this regard, we suggest that firms strive to employ causation logic as the organization is growing, while a lack of relevant learnings may impede the organization's ability to utilize this logic. Hence, a lack of relevant learnings will call for a logic influenced by heuristics, and effectuation logic will be employed. This transition is thus motivated by the increasing absorption of relevant learnings during an organization's growth process, and the propensity to employ causation logic if relevant learnings are sufficient. Therefore, during the growth process of an organization, a transition towards causation logic will occur, while a shortage of relevant learnings will result in effectual logic. This finding extends the effectuation literature by suggesting a reason for why an organization may employ effectuation logic in later stages of its internationalization, and improves our understanding of the nature of decision-making during an organization's growth process, further contributing to decision-making theory in the context of a growing organization.

Managerial Implications

As mentioned, during the growth process of an organization, we find that the organizational structure evolves as a highly influencing factor on the logic employed in internationalization decisions. This factor emerges as a consequence of the organizational growth, while the structure develops in accordance with the decision-maker's perception of the problem space. In this regard, our findings support existing literature on the point that the organizational structure does influence how decisions are made, and that there are alternatives to the more commonly adopted causal oriented organization. Being aware of the strengths and weaknesses of the two spectrums of decision-making logic, as well as the firm's resources, will therefore allow managers to steer the organization towards a more optimized structure for future internationalization decisions.

Limitations and Future Outlook

As with all studies, this thesis has not been conducted without limitations. These are presented below, together with suggestions for future research.

Firstly, as stated earlier, we have observed that the influencing factors are interdependent. However, further research is needed to clarify the nature and strength of these relationships. Not least with regard to the impact from the organizational structure, emerging as a key influencing factor on decision-making logic during the growth process, but also affecting other factors' influence on decision-making logic.

Secondly, we have presented four factors with an impact on each other's influence on the logic employed in internationalization decisions. However, we are well aware of the fact that more connections may be present during another organization's growth process. In this regard, our study entails one single firm, and a similar study in another context may find other connections. This would further improve our understanding of the relationship between these factors and why firms employ a certain logic when making internationalization decisions. We therefore call for further empirical evidence supporting other connections between the influencing factors, which should be studied on a growing organization in a different context.

Lastly, and most importantly, our findings are based on a single case study. Due to the infancy of research on factors influencing decision-making logic, and the lack of generalizability inherent in qualitative studies, further empirical evidence may be required to extend our findings to other contexts, and possibly adjust our proposed model to improve its generalizability. What is more,

with the findings presented in this study, it would be premature to conclude the exact strength of each factor's influence on decision-making logic. We therefore suggest that future research should aim at further clarifying the propositions presented in our model, in order to elucidate the strength of each factor's influence on decision-making logic. The former suggestion can possibly be achieved through other qualitative studies in different contexts, while the latter may require quantitative studies conducted through an effectual lens.

7. Reference List

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Appendix

1. Interview guide for Clas Ohlson

(1) What is your educational and professional background? (That may have influenced your decisions)

- Educational and professional background? (International experience of work and studies)
- Professional background at Clas Ohlson?
 - Which expansions were you involved in?
 - What role did you have?

(2) Please describe the expansion X of Clas Ohlson.

- Who were involved at Clas Ohlson?
- Did any of the people involved have any experience from the specific country, from internationalization, and/or from studying or working abroad?

(A) How did you recognize the opportunity?

- When did you begin (this specific) international expansion?
- Why did you begin this international expansion?
 - Was it a prioritized market before that opportunity?
 - Did CO have any network connections in the foreign market?

(B) What happened once you recognized THE opportunity?

(Check the critical events and factors prior international entry)

- How did you perceive the foreign market environment (predictive/uncertain) at the moment of entry? What factors did you look at? What did you know?
- Did you know how the international market (that you entered) worked before you went there?
 - For instance, did you know the business customs, capital requirements, legal issues, how business relationships work, where to find suppliers, or “what to avoid” principle in overseas market (that you entered?)
 - How did you obtain such knowledge?
- Can you describe how the business plan for internationalization was developed? (Decisions made, were they followed)
 - What was the level of knowledge of the foreign market?
 - To what extent was it possible to estimate the returns on investment?
 - How detailed was the business plan?
 - To which degree did the company follow the business plan?
 - How were unexpected outcomes from decision-making managed?

(C) What were your considerations before you entered the overseas market? (Check decision-making factors)

- How did you make the decision on - where, how, and when?

Uncertainty

- How did you evaluate uncertainty, how did you act, tolerance etc.
- When the level of the uncertainty in the foreign market was high, how did you proceed in the decision-making?
- How did you establish the initial contacts?
- Who did you cooperate with, in what purpose?
- Was this a successful alternative?

(D) Were there any obstacles along the way until you entered the overseas market, did things change along the way? (Check if Assets, Capabilities, Domestic Market Attractiveness, Industry Growth, and Entrepreneurial Orientation play a role)

- Before and during the internationalization, were you more in favor stopping and having a moment of reflection to attempt to return to the original plan, or were you more in favor of changing the original plan? Please explain the rationale of the decision?
- Was the structure changed, more people called in? How did this influence your decision and the internationalization process?
- During the internationalization process itself, did the company develop or acquire any resource and/or capability? If yes, when did it happen, and what was the impact on the internationalization process?

(E) What was the time frame from your recognition to the exploitation of THE opportunity?

(3) Did the company behave or perceive things differently after the first, second and third entry?

- Has anything changed?
- Evaluation of opportunities and factors considered (what criteria, the decision maker, resources & capabilities)
- Impacts on Entrepreneurial Orientation (risk taking, innovative, proactive, aggressive, autonomy)
- Prior Knowledge (business, institutional, technological, internationalization)
- Access to New Knowledge (network centrality, link to central actors, weak/strong ties, movement of people)
- Absorptive Capacity (ability to absorb, assimilate, transform, and exploit knowledge)
- Timing difference with the first entry (is it faster than first entry)

(4) Has the organizational changes of recent, people and structure, affected decision making on internationalization? If yes, how?

- Uncertainty avoidance
- More planning, more analysis
- Decision process
- People involved
- Factors considered

(5) If ever recognized int'l opportunity but did not exploit it – reasons!

(6) Do you have a theory of success or failure in recognizing, evaluating, and exploiting international business opportunities?

- What do you miss in this process? How would you do things differently today?