

# Foreign market entry decision-making and heuristics: a mapping of the literature and future avenues

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## Abstract

**Purpose** – This paper aims to provide a wide picture of studies on heuristics for international decision-making with a focus on foreign market entry. This paper systematically reviews studies published in the international business and international marketing domain to examine heuristically based decisions for foreign market entry.

**Design/methodology/approach** – This paper proposes a systematic literature review and an in-depth analysis of 32 papers published between 1997 and 2021 dealing with foreign market entry and the use of heuristics for international decision-making.

**Findings** – Even if the marketing and management literature is in many ways permeable to the debate around heuristics developed in experimental psychology and cognitive science, international business and international marketing studies on the one hand recognize that international decision-making, especially when dealing with foreign market entry, is strongly characterized by uncertainty, on the other hand, there isn't a developed and systematized literature about it. This paper shows key topics and areas fundamental to foreign market entry in which heuristics are applied by decision makers and their effectiveness.

**Originality/value** – A systematic review of the use of heuristics for foreign market entry decision-making can represent a useful step for a more organic development of knowledge about the more general use of heuristics for international decision-making. Understanding the decision-making process on the modes of entry in foreign markets is a key topic for international marketing and international business scholars and practitioners.

**Keywords** Heuristics, Rules of thumb, Foreign market entry, International business, International marketing, Literature review, Cognitive shortcuts

**Paper type** Literature review

## 1. Introduction

Marketing and management studies have widely examined how decisions are made under conditions of genuine uncertainty (March, 1994), and some scholars have focused particularly on the use of heuristics as “cognitive shortcuts” or “rules of thumb” that guide the judgments and choices when information, time and/or processing capacity are limited (Bingham and Eisenhardt, 2011; Bingham *et al.*, 2007; Guercini, 2012; Maxwell *et al.*, 2011; Guercini *et al.*, 2014). The study of heuristics has found specific attention in experimental psychology, linked to the concepts of “bounded rationality” (March, 1978) and “cognitive limits” (Miller, 1956; Hammond and Summers, 1965; Simon, 1967). Entrepreneurship and management studies have examined the subject of heuristics in entrepreneurial companies, which often are in the condition of making timely decisions with limited information and only a little or no data from past experience (Busenitz and Barney, 1997; Bingham *et al.*, 2007; Davis *et al.*, 2009).



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Such literature has been influenced by the debate around heuristics developed in psychology and cognitive science, reproducing the debate around heuristics as a source of error (Manimala, 1992; Busenitz and Barney, 1997) or as effective solutions to complex problems (Eisenhardt and Sull, 2001; Davis *et al.*, 2009; Katsikopoulos and Gigerenzer, 2013). The significance of heuristics in management and marketing research is justified by the condition of uncertainty that characterizes the decision-making. While in situations of “risk” decision makers know the probabilities of outcomes and can calculate the optimal option (Knight, 1921), these are not known under uncertainty. There can be uncertainty in many situations: when new products and services are launched, during the start-up phase of a new company (McMullen and Shepherd, 2006) or when there are changes in technology, markets and quality, to cite a few (De Meyer *et al.*, 2002), whose results are difficult to forecast, with a high degree of randomness (Artinger *et al.*, 2015).

International business and international marketing activities, compared to those in domestic markets, are also characterized by uncertainty (Cavusgil and Godiwalla, 1982; Mascarenhas, 1982), concerning, for example, foreign exchange, political risk, unfamiliarity with operating in a new foreign market with a different culture and laws (Mascarenhas, 1982; Johanson and Vahlne, 1977, 2009; Kulkarni, 2001; Acedo and Jones, 2007; Liesch *et al.*, 2011). The decision to internationalize and other decisions concerning the international expansion of a firm, including foreign direct investments (FDIs) and market entry modes, have been described as procedures characterized by incremental learning and great uncertainty (Acedo and Jones, 2007; Kulkarni, 2001). However, while it is broadly recognized that the international expansion of firms is strongly characterized by uncertainty, attention given to heuristics and forms of judgements based on simple rules appears limited, and the understanding of the nature of the international decision-making remains a key question.

When dealing with foreign market entry, entrepreneurs and managers have to make important decisions concerning, among others, which markets, and the entry modes, namely, the competitive strategy for the foreign markets (how to compete) (Kogut, 2002). The decision-making process can be challenging because of the uncertainty that characterizes the international expansion of firms, as the foreign environment can be more complex and less familiar than the national one (Cavusgil and Godiwalla, 1982; Liesch *et al.*, 2011). In their paper, Guercini and Milanesi (2020) depict the status of research on heuristics in the international business domain to understand the main topic areas in which heuristics are addressed and explore the main types of heuristics used by decision makers when dealing with international business activities. The study shows that the main research areas in which heuristics are developed concern foreign market entry, post-entry international expansion, foreign market selection and international entrepreneurship. It is claimed that, among the others, foreign market entry is an area in which the use of heuristics for decision-making seems widespread, thus worthy of further investigation.

Following this line of reasoning, the paper proposes a systematic review of international business and international marketing literature to delve into heuristically based decisions for foreign market entry. The study of heuristics for foreign market entry decision-making can represent a useful step for a more organic development of knowledge about the more general use of heuristics for international decision-making. In the next section, the paper introduces heuristics, their origins and their development from the experimental psychology domain to the management and marketing domain, up to the international business and international marketing literature. After the theoretical background, the paper presents the methodology adopted in the present study, namely, a systematic literature review based on papers about heuristically based decisions for foreign market entry. In total, 32 papers published between 1997 and 2021 are analysed and discussed with a focus on the main types of heuristics adopted by decision makers when dealing with foreign market entry decision-making. The paper concludes by proposing avenues for future research.

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## 2. Theoretical background: from the origins of heuristics up to the internationalization of the firm

Heuristics are cognitive shortcuts that emerge when information, time and process capabilities are limited, procedures or rules of thumb that decision makers rely on to simplify complex problems and/or information processing tasks (Newell and Simon, 1972). The study of heuristics has found particular attention in experimental psychology, being linked to “bounded rationality” and “cognitive limits” (Kelman, 2011), and the vision of the individual actor’s rationality (Simon, 1956; Goode, 1997). In his “Nobel Memorial Lecture”, Simon (1978) points out that the classical model of rationality needs a knowledge of all relevant alternatives, their probability and their consequences and a world in which the future can be expected with no surprises. These conditions are unlikely in the real world, where the actors have limited information, limited time and computation capability and a “memory” that applies only to analyse the past and not to forecast the future. These are well-known conditions for entrepreneurs and managers in their forecasting and assessment activities to make judgments and choices.

The research programme of Kahneman and Tversky (1973, 1996) associates “heuristics” with “biases”. The authors argue that heuristics lead to systematic errors and therefore should be avoided in many cases. The experimental research (Tversky and Kahneman, 1971; Kahneman and Tversky, 1972) shows that there is a set of heuristics, including representativeness, availability, adjustment and anchoring, which are associated with biases in judgments. Accordingly, heuristics have come under criticism to assume a non-rational and negative character for human cognition, even if Kahneman and Tversky (1974, p. 1129) recognize that “heuristics are very useful”. This view of heuristics as sources of biases is embraced also by other authors (Strack *et al.*, 1988; Piattelli-Palmarini, 2005).

A different perspective on heuristics is provided by Gigerenzer (1996), Gigerenzer and Goldstein (1996) and Gigerenzer (2016) in their “fast and frugal heuristics approach” emerging from the “adaptive-behaviour-and-cognition programme”. According to this approach, heuristics are models for fast and frugal decisions that can provide effective solutions with limited information and processing. These models have been tested to certify their accuracy and rehabilitate heuristics as effective tools of human cognition, in a perspective of “ecological rationality” of “homo heuristicus”, which may be more effective in behaviour and cognition than the “logical rationality” of “homo economicus” (Gigerenzer and Brighton, 2009). Gigerenzer (2001) considers the individual’s heuristics as an “adaptive toolbox” of devices that can be used for defining judgments and actions, reflecting both the specificity of the task and the actor (Guercini, 2012) and the scope of their use and effectiveness (Guercini, 2019).

Starting from the debate on heuristics in psychology and cognitive science, the marketing and management literature has been in many ways permeable to the influences of such debate (Loock and Hinnen, 2015) in many directions: marketing and management scholars used not only heuristics (Wübben and Wangenheim, 2008; Bingham and Eisenhardt, 2011) but also applied psychology and cognitive sciences researchers’ publications on marketing and management journals (Katsikopoulos and Gigerenzer, 2013; Brighton and Gigerenzer, 2015). Many of these studies reproduce the comparison between an approach to heuristics as a source of error (Manimala, 1992; Busenitz and Barney, 1997) and an approach to heuristics as rules of thumb that lead to effective solutions to complicated problems (Eisenhardt and Sull, 2001; Åstebro and Elhedhli, 2006; Katsikopoulos and Gigerenzer, 2013; Abatecola *et al.*, 2018; Cristofaro and Giannetti, 2021).

When it comes to the international business and international marketing literature concerning decision-making, this has drawn significantly on the behavioural theory of the firm (Cyert and March, 1963) that builds on the study of bounded rationality and considers rational choice in the decision-making process and the construction of simplified mental models when dealing with

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complex problems (Simon, 1982). When operating in foreign environments, rational decision-making may likely be bounded by the fact that information, resources and networks are culturally embedded (Dimitratos *et al.*, 2011; Dash and Ranjan, 2019).

A model of internationalization within the behavioural tradition was put forward by Johanson and Vahlne (1977) in their Uppsala model. The model emphasizes a gradual and incremental approach to internationalization based on the interplay between cumulative market knowledge and decisions to increase commitment to international markets, with the underlying assumptions of uncertainty, because of the absence of knowledge, and bounded rationality. This approach to internationalization assumes that firms tend to incrementally overcome the psychic distance through gradual learning processes (Johanson and Wiedersheim-Paul, 1975).

Other streams of research draw on the behavioural theory, such as the contribution by Kogut and Zander (1993) based on the idea that organizations learn from experience (Levitt and March, 1988). Organizational learning theory relates to the behavioural aspect of experience accumulation, and it also incorporates a cognitive dimension by addressing knowledge articulation and knowledge codification (Zollo and Winter, 2002). Such theory has served as important theoretical underpinnings in research on international joint ventures (IJV) (Barkema *et al.*, 1997), market entry modes and knowledge transfer processes within and between firms (Zahra *et al.*, 2000; Lord and Ranft, 2000). It has also been discussed that decisions are made based on the collection and analysis of multi-level organizational data and the decision process is influenced by the interpretation of headquarters and subsidiary managers (Doz, 1986; Doz and Prahalad, 1987).

Thus, the literature on international business and international marketing is full of contributions that consider the behaviour of firms and how decisions are made under conditions of uncertainty. Ahsan and Musteen (2011) investigate the relationship between entry mode strategies and uncertainty in multinational companies and they show that there are different types of uncertainty (e.g. cultural, political, exchange rate, market, demand) that can be addressed in different ways. The transaction cost theory research has generally viewed entry modes as a way to minimize behavioural uncertainty and its potential negative consequences efficiently, whereas the real options theory research provides evidence that the choice of appropriate entry modes helps manage uncertainty and lead to competitive advantage, especially when learning and flexibility are preferred. Thus, the role of uncertainties on entry-mode decisions has been investigated in several studies with two main types of uncertainty under the lenses: cultural and institutional uncertainty (Brouthers, 2002). When cultural uncertainty is high, firms are more likely to enter with low-control entry modes, such as licensing (Tsai and Cheng, 2004). High-control entry modes are chosen when institutional uncertainty, based on political and legal conditions, is low (Pak and Park, 2004). These are just a few examples of how the international business and international marketing literature recognizes uncertainty as a trait characterizing foreign market entry modes, thus making foreign market entry fertile ground for the emergence of heuristically based decisions. More specifically, understanding how companies decide on foreign market entry is a crucial topic for international marketing and international business scholars (Guercini *et al.*, 2020) both for the growing degree of globalization of economies and for the fact that decisions on international development represent for many companies, including small- and medium-sized ones, the main way to grow.

### 3. Methodology

The paper is based on a structured theme-based systematic review (Paul and Criado, 2020) concentrated on the development of a topic, namely, heuristics for foreign market entry.

According to the systematic approach to literature reviews (Canabal and White, 2008; Schmeisser, 2013; Loock and Hinnen, 2015; Guercini and Milanesi, 2020), this research was carried out in sequential steps. More specifically, we followed the 3As model proposed by Paul *et al.* (2021) which includes a process of assembling, arranging and assessing existing literature. We started with the assembling, namely, the identification and acquisition of the literature. Thus, we established a protocol to develop a systematic, transparent and replicable process. This first step involved focusing the review and identifying the type of articles to be analysed. We decided to include full-length articles published in academic refereed journals, both conceptual and empirical papers, thus excluding book chapters, editorials, commentary essays, book comments and conference proceedings. For the selection of papers, it was critical to identify the database and the appropriate search terms. Concerning the database, we selected Scopus (Elsevier) database, limited to the business and management area. We repeated the search in the ISI Web of Science database, with no significant differences in terms of results. Concerning the search terms, consistent with commonly practised search efforts (Schibrowsky *et al.*, 2007), a “keyword” approach was used to identify previously published articles. We combined the word “heuristic\*” and “rules of thumb” with other words that are commonly used in the foreign market entry literature (Canabal and White, 2008; Agarwal and Ramaswami, 1992; Buckley and Casson, 1998). Each of the following keywords was included in the search string (e.g. “heuristic\*” AND “foreign market entry”): foreign market entry, mode of entry, entry strategy, entry mode, export, franchising, licensing, strategic alliance, joint venture, foreign direct investment, FDI, piggyback, M&A, acquisition, greenfield and brownfield. Keywords were searched in the title/abstract/keywords sections of the papers. This first step of the search led to the initial identification of 85 papers. The second step of the review was arranging, which pertains to the organization and purification of the literature. To assess the eligibility of a paper, the authors independently read the papers and the exclusion criteria were the following:

- the paper uses “heuristic” as a generic word; and
- the paper does not deal with international business/marketing issues.

Thus, the presence of heuristically based decisions and the positioning of the paper in the international business/marketing domain were the main inclusion criteria. The second step of arranging resulted in 32 papers. The third step was the assessing, namely, the evaluation and reporting of literature in terms of descriptive and thematic analysis. As for the thematic analysis, all papers were independently reviewed by the two authors, both experts in foreign market entry, to identify the central research themes of each paper compared to the foreign market entry literature. In the same way, the authors fully read and analysed the paper to identify the main heuristics discussed. There was full consensus among the authors on the core topic of each paper and the type of heuristics/how heuristics were addressed. The aim of the thematic analysis is not only limited to the synthesis of the existing literature but it also helps reveal gaps in the existing body of knowledge to identify directions for future research. The third step of the review is developed in the next section, in which the literature is reported following a descriptive and thematic analysis.

## 4. Results of the literature review

### 4.1 Descriptive analysis

We now present the findings of the systematic literature review starting with a descriptive analysis. The systematic literature review identified a total of 32 papers dealing with heuristics and foreign market entry published from 1997 to 2021. Figure 1 shows the temporal distribution of the papers.

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Figure 1.  
Papers by year

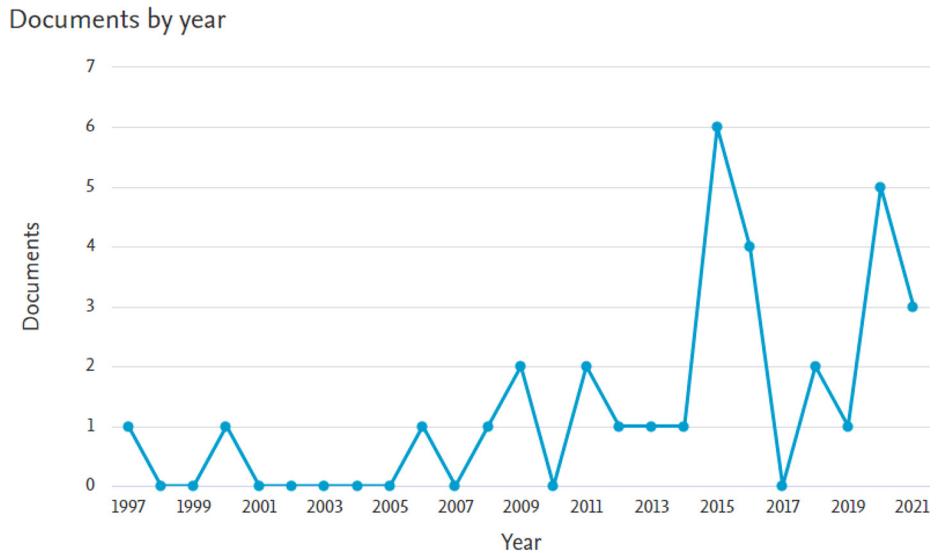


Figure 1 shows an increase in contributions on the subject starting from the second half of the 2000s. We can maintain that the marketing and management literature has been permeable to the influences of the debate on heuristics in psychology and cognitive science more intensely since the 2000s, and so the international business/marketing literature. Moreover, the thrusts of internationalization and the growing international mobility of companies in the last 20 years have led to increasing turbulence and uncertainty characterizing the international scenario and – we may suppose – the consequent increased use of heuristics for international decision-making, influencing the academic debate on the topic. The growing attention on heuristics by top journals can be seen as an opportunity for researchers in this field.

Table 1 shows the journals in which the papers are published.

The most prolific journals on the subject correspond to the top-ranked international business/marketing journals, including *Journal of International Management* with four papers and *International Marketing Review*, *Journal of International Business Studies* and *Journal of World Business*, each with three papers. Concerning the analysis of citations, this allows identifying some of the most “influential” articles, in spite of the limits that this kind of analysis may have because of the small dimensions of the sample – too small for a scientometric analysis – and the nature of this indicator. The total number of citations is 1,023. The most cited article (Maitland and Sammartino, 2015a) has 140 citations. Other 3 papers exceed 100 citations (Kumar and Subramanian, 1997; Aharoni *et al.*, 2011; Maitland and Sammartino, 2015b) and 4 papers exceed 50 citations (Hong *et al.*, 2006; Melkonian *et al.*, 2011; Buckley *et al.*, 2016; Foss and Pedersen, 2019). Most of these papers have been published in the last 11 years, thus the scientific interest in the theme under discussion seems evident.

#### 4.2 Thematic analysis

Heuristics for foreign market entry are now examined in sub-sections regarding the main topics covered by the selected papers compared to the literature on foreign market entry, as shown in Table 2.

4.2.1 *Heuristics in international business/marketing.* Foreign market entry is recognized as a complex activity for which structured approaches have proven inadequate (Otto, 2008).

**Table 1.**

List of journals

Journals	Papers
<i>Chinese Management Studies</i>	4
<i>Competitiveness Review</i>	3
<i>Developments in Marketing Science</i>	3
<i>Global Strategy Journal</i>	3
<i>Human Resource Management</i>	2
<i>International Business Review</i>	2
<i>International Journal of Entrepreneurial Behaviour and Research</i>	2
<i>International Journal of Technological Learning, Innovation and Development</i>	1
<i>International Marketing Review</i>	1
<i>Journal of Business Research</i>	1
<i>Journal of Economics and Management Strategy</i>	1
<i>Journal of Global Fashion Marketing</i>	1
<i>Journal of International Business Studies</i>	1
<i>Journal of International Management</i>	1
<i>Journal of International Marketing</i>	1
<i>Journal of Management Studies</i>	1
<i>Journal of World Business</i>	1
<i>Management Decision</i>	1
<i>Management International Review</i>	1
<i>Strategic Management Journal</i>	1

Topics	Authors	N.
<i>Heuristics in international business/marketing</i>	Otto (2008), Aharoni <i>et al.</i> (2011); Guercini and Milanese (2020)	3
<i>Microfoundations</i>	Foss and Pedersen (2019)	1
<i>International location decisions</i>	Ambos <i>et al.</i> (2020)	1
<i>Internationalization process and speed of entry</i>	Monaghan and Tippmann (2018), Niittymies (2020), Arrotea and Hafeez (2020)	3
<i>Choice of entry modes</i>	Kumar and Subramanian (1997)	1
<i>Country distance</i>	Nebus and Celso (2020)	1
<i>Export</i>	Nemkova <i>et al.</i> (2012), Kelley (2014); Souchon <i>et al.</i> (2016), Guercini and Runfola (2021), Guercini and Freeman (2021)	5
<i>Franchising</i>	Alon and Banai (2000); Alon <i>et al.</i> (2015), Ghantous and Jaolis (2016)	3
<i>Foreign direct investments</i>	Hong <i>et al.</i> (2006), Baskaran and Muchie (2009), Alcantara and Mitsuhashi (2015), Buckley <i>et al.</i> (2016); Elsahn and Benson-Rea (2018)	5
<i>Inter-firm alliances</i>	Luo (2009), Uzuegbunam (2016)	2
<i>Mergers and acquisitions</i>	Melkonian <i>et al.</i> (2011), Malhotra and Zhu (2013); Malhotra <i>et al.</i> (2015); Maitland and Sammartino (2015a, 2015b); Spigarelli <i>et al.</i> (2015), Lin <i>et al.</i> (2020)	7

**Table 2.**

Topics covered by the 32 papers

In their systematic review of heuristics in international business, [Guercini and Milanese \(2020\)](#) find that foreign market entry is the most prolific area for the adoption of heuristics. Many typologies of heuristics can be adopted by managers and entrepreneurs dealing with foreign market entry, including imitative behaviour, experiential learning for risk-taking, improvisation and anchoring. Theoretical developments in international managerial decision-making research are examined by [Aharoni \*et al.\* \(2011\)](#) in an extensive review of the

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literature, which begins by examining the characteristics of managerial decision-making. The article identifies the theme of heuristics with that of bounded rationality in decision-making. The heuristics are, therefore, associated with the production of cognitive biases (negative view). The theme of heuristics in international decision-making is, however, recognized as relevant for its diffusion and the connection, for example, with the culture in which the experiences of companies have matured, especially regarding multinationals.

*4.2.2 Microfoundations.* [Foss and Pedersen \(2019\)](#) examine the topic of microfoundations as an approach to evolving international management research. Insofar the theme proposed by the authors is potentially of interest to a more general epistemological reflection. The study of microfoundations leads to the investigation of the higher-level heuristics, which are the basic components located at the level of individuals and interactions of individuals. In this sense, heuristics used by individuals and observed in interactions can be considered basic building blocks for theoretical constructions and detectable phenomena. For this switch from the level of the microfoundation to the level of the phenomenon as a whole, importance is given to a process of heuristic cumulativeness. Three levels are identified: theoretical, heuristic and empirical, where the heuristic level seems to act as a link between the theoretical and empirical dimensions as such observable.

*4.2.3 International location decisions.* [Ambos et al. \(2020\)](#) investigate heuristics in international business and demonstrate that heuristics guide strategic decision-making when managers have to determine which country should be approached. It is shown that managers apply rules of thumb for screening international locations to rank opportunities. A priority heuristic is applied: locations that are perceived as least risky offer the highest expected returns, and this heuristic remains stable over time. The study supports a positive view on heuristics by pointing out that they provide consistency in decision-making in dynamic and complex contexts.

*4.2.4 Internationalization process and speed of entry.* The conditions of complexity and uncertainty associated with internationalization decisions underlie the interest in heuristics in the article by [Niittymies \(2020\)](#), who proposes an in-depth study of two Finnish companies grappling with their first experiences with internationalization. This article aims to investigate how decisions based on heuristics are influenced by the context-specific experience of the firms. As the main result of this study, the importance of reaching a threshold or critical mass of experience emerges, to reach a stage in which heuristics can finally be used in international decision-making. Therefore, different phases are identified, a first phase characterized by the “inability to harness the positive impact of heuristics”, a second phase with a “systematic gathering of experience”, a third phase in which the “experience threshold” is reached and a fourth phase that sees the establishment of “heuristics-based strategy work”. In addition, the paper recognizes several types of heuristics in the internationalization process, namely:

- market knowledge heuristics;
- capability heuristics; and
- international expansion heuristics.

The internationalization of new technology firms in Latin America is examined by [Arroteia and Hafeez \(2020\)](#) through a case study of five Brazilian firms, starting from the resource-based view and the literature on the topic of effectuation as opposed to causation, highlighting the role of heuristics learned from experience, but without delving into the literature on heuristics, while relying mainly on the literature on effectuation. [Monaghan and Tippmann \(2018\)](#) develop an empirical study to understand how rapid

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multinationalization occurs. They show recipe heuristics of rapid multinationalization (the shared heuristics comprised in the industry recipe). More specifically, three sets of heuristics of the rapid multinationalization recipe emerge from the data: organizational structure (build hub-satellite operations, invest in regional headquarters, follow-the-sun/time zone model); location choice (locate to access local talent, choose a cost-efficient location, choose typical continental entry point); and market selection (follow widespread/large market potential, prioritize countries that are early/fast adopters of technology, cautious about Asia, pilot market).

4.2.5 *Choice of entry modes.* Kumar and Subramanian (1997) challenge the assumption that the mode of entry is a single-stage rational analytic decision by the manager while proposing a contingency framework based on the cybernetic decision strategy. According to this strategy, managers consider only a few critical alternatives, following a hierarchical process, and the decision rules follow some (non-specified) heuristic, which has been established through prior cognitive processes.

4.2.6 *Country distance.* Nebus and Celo (2020) studied distance perception by examining systemic biases in perception that are associated with judging similarity processes. Their study is based on cognitive psychology research assuming a perspective focused on biases from mental shortcuts and heuristics. In addition to framing heuristics as a source of cognitive bias, the study is characterized on the methodological level by the realization of three experiments that examine, respectively, the country distance asymmetry between similarity and dissimilarity, the characteristics of other countries under consideration and the fact that the country similarity and dissimilarity are not to be considered as exactly opposite.

4.2.7 *Export.* Nemkova *et al.* (2012) analyse two predominant export decision heuristics emanating from normative and descriptive decision theory, namely, planning and improvisation that co-exist within exporting firms. Kelley (2014) highlights the ubiquity of learning and heuristics by studying the effects that bounded rationality comes to have on the aggregate paths of trade. The study by Souchon *et al.* (2016) focuses on how to improve the international exporters' performance by harnessing spontaneity. To harness spontaneity, export managers should develop company heuristics, such as centralization, namely, the extent to which authority is concentrated at higher levels of the organization. Additionally, the decision-making personnel who act spontaneously should not be overly dispersed across the organization. The authors point out that when spontaneous decision-making activity is delimited to a narrower social system, the chances that such decisions will be extremely risky or strategically misaligned are limited, whereas the ability to control and co-ordinate the implementation of these decisions is increased. Heuristics used by textile exporters are examined by Guercini and Runfola (2021) in a study based on seven case studies of textile exporting firms that operate in international business-to-business markets, with a focus on the selection of export markets, the definition of the product and the export prices. Heuristic rules emerge that are specific to the product market, the conditions of efficiency of production, the interaction with other heuristic rules, widespread stereotypes about the geographical origin of other actors, empathy in interaction, services and requests on prices and discounts. It is claimed that heuristics are used as effective and valuable means for decision-making by exporters, their perception as irrational but corresponding to deliberate logic within the organization, the learned rules tend to be tested on different export markets instead of remaining linked to the single country in which they emerged and these rules are attributable to the level of the individual decision maker. How international marketers make decisions is the focus of attention in Guercini and Freeman's (2021) study, which concentrates on exporting firms. In particular, the study explores the connection between

three different strands of literature: the one on uncertainty, risk and heuristics in international marketing and international business; the research on uncertainty and heuristics in experimental psychology; and finally, the research on learning and using heuristics in strategic management, entrepreneurship and organizational studies. In the empirical part, the two cases analysed, in spite of being similar in terms of industry and location, offer examples of different approaches to the use of heuristics in typical decisions made by marketers during the internationalization process. Different models of heuristics are identified based on the role of context, scope, specificity and convergence of heuristics. There is an “open” approach that adapts the decision rule as a consequence of learning by doing, and there is a “closed” approach with a complete decision rule.

*4.2.8 Franchising.* Alon and Banai (2000) suggest some rules of thumb for American companies willing to enter the Russian market via franchising operations. It is claimed that large firms with a strong brand name, much international experience and a standardized formula should enter the Russian market. In a more recent contribution, Alon *et al.* (2015) develop a heuristic model to show how franchisor characteristics influence franchisee failure. The variables that may influence the failure of franchising operations include, among others, the number of owned outlets, the industry type, the terms of contracts and the industry type. Ghantous and Jaolis (2016) investigate how the brand affects franchisees’ intentions and behaviours and show that the brand acts as a heuristic of choice for franchisees and drives consumer-based brand equity.

*4.2.9 Foreign direct investments.* When multinationals create subsidiaries in foreign countries, a key issue is the relationship with host governments. The focus is on political schemas including the heuristics of multinationals’ managers on how to systematically or episodically interact with foreign governments (Elsahn and Benson-Rea, 2018). Political schemas are influenced by international experience and managerial actions shape the evolutionary process of political capability development. Buckley *et al.* (2016) propose an investigation of FDI risk-taking with a micro-foundational framework. At the individual level of analysis, managers display idiosyncratic tendencies to take risks and use experiential learning as a heuristic to evaluate foreign environments and select among alternative opportunities. In their research on how companies with multimarket contacts in both product and geographic markets make FDI location choices, Alcantara and Mitsuhashi (2015) shed light on the role of managerial heuristics and find that the adoption of heuristics to reduce managers’ cognitive burdens is a cost-saving orientation that, however, can increase the risk associated with foreign market entry that may end in counterattacks from prior entrants, wasteful foreign investments and entry failures. Baskaran and Muchie (2009) adopt a heuristic National System of Innovation-FDI conceptual framework and show that the characteristics and robustness of a national system of innovation can affect the outcome of FDIs. Additionally, in FDIs the cross-border transfer of organizational learning systems requires an overall heuristic design for collective learning routines through the engineering of enterprise contexts and the responsive management of knowledge repositories (Hong *et al.*, 2006).

*4.2.10 Inter-firm alliances.* Uzuegbunam (2016), suggests that certain identity codes, including product market identity and geographic identity, are salient at alliance formation, and can act as meaningful heuristics for the assessment of the cost of collaboration and the risk of opportunistic behaviors. IJV are also addressed under the fairness-heuristic view (Luo, 2009). In IJV, there may be situations among the parties in which information is asymmetrical, incomplete or insufficient, and parties, therefore, process information heuristically (e.g. distributive or procedural fairness is adopted to substitute information that would be more directly relevant but is absent).

*4.2.11 Mergers and acquisitions.* The fairness-heuristic view is also addressed by [Melkonian et al. \(2011\)](#) in their study on the psychological mechanisms that lie beneath employees' co-operative attitudes and behaviours in the context of *mergers and acquisitions* (M&A). In cross-border acquisitions, heuristics are addressed in terms of imitative behaviour. [Malhotra and Zhu \(2013\)](#) claim that acquiring firms imitate other prior foreign acquirers in that host country in terms of premiums paid. Imitation behaviour is also linked to the anchoring heuristic, by which "decision-makers heavily rely on a piece of information (anchor) that appears prior to a decision" ([Malhotra et al., 2015](#), p. 1866). [Maitland and Sammartino \(2015a, 2015b\)](#) contribute to the debate on the effectiveness of heuristics and acknowledge heuristics as powerful cognitive tools that enable decision-making in dynamic and uncertain environments. In their studies, the authors examine the cognitive efforts of senior decision makers of an inexperienced multinational in evaluating a cross-border acquisition in a politically hazardous African country. Several heuristics are characterizing the decision-making and some of them have clear building block rules to build small world representations of an uncertain strategic context. The paper by [Spigarelli et al. \(2015\)](#) addresses the issue of internationalization of multinationals from emerging countries through the case of an acquisition made by a Chinese firm in Italy. The paper proposes a connection with the theme of heuristics as it identifies a heuristic rule developed by Chinese management that is indicated as a guide for the realization of successful acquisitions by multinationals from emerging markets. This heuristic rule is divided into components, namely, "understanding", "sharing", "responsibility", "compliance" and "co-ordination". In the study by [Lin et al. \(2020\)](#), the case of Chinese firms that carry out cross-border M&A is examined, considering the impact of external growth initiatives on the image and value of the firms. Investors can adopt heuristic thinking in decision-making, using the technological innovation capacity of the country where the target firm is located in forming judgments about the acquirer and its prospects.

## 5. Final remarks and future research avenues

The paper has shed light on the use of heuristics for foreign market entry decision-making, and this can represent a useful step for a more organic development of knowledge about the more general use of heuristics for international decision-making. The results show key issues fundamental to foreign market entry: microfoundations, speed of entry, country distance, location decision and entry modes. In these areas, several types of heuristics are applied. Research on microfoundations is emerging as relevant in the international business literature, and the study of the microfoundations and empirically observable behaviour represents a path for future research that leads to identifying and examining the effects of heuristics that are adopted by individuals and found widespread in organizations.

A huge topic area covered by the papers under study concerns entry modes. Understanding the decision-making process on the modes of entry in foreign markets is a key topic for international marketing and international business scholars and practitioners. Such relevance is because of the high degree of uncertainty characterizing foreign market entry, the growing degree of globalization of economies and international movements by companies and the fact that for many companies, including small- and medium-sized ones, internationalization is the main way to survive and grow. The systematic review of academic literature shows that limited attention has been paid to heuristics in international business/marketing literature on foreign market entry. Even if the marketing and management literature is permeable to the debate around heuristics originating in experimental psychology and cognitive science, international business/marketing studies on the one hand recognize that international decision-making, especially when dealing with entry modes, is strongly characterized by uncertainty, on

the other hand, they do not provide a developed and systematized literature about it. Thus, there is still room for research in this direction and the empirical study of heuristically based decisions for entry modes and entry mode choices may contribute to bridging the gap between international business/marketing theory and practice.

The findings of the present study confirm that the entry process is acknowledged as characterized by those conditions of uncertainty, complexity and learning needs that justify the interest in heuristics as a decision-making model. However, while there is some consensus that the adoption of heuristics is widespread, the debate over their effectiveness remains the subject of mixed approaches. Compared to the applied psychology literature, in which there are several approaches to the theme of heuristics, seen as a source of distortion (heuristics and biases) or as effective tools (positive heuristics), contributions to foreign market entry generally show a more positive vision of the role of heuristics as an effective tool for international decision-making. Nevertheless, empirical research on the effectiveness of heuristics for foreign market entry is still relatively limited, and studies in support of a positive view of heuristics are still required. Future research should also systematize adaptive toolboxes used by international decision makers, not only by using the different taxonomies of heuristic rules proposed in research both in applied psychology but also by authors of international marketing and management.

Finally, as with any other systematic literature review, this may have not comprehensively encompassed all publications within the international business/marketing literature. A first limit concerns the selected keywords and search strings, which not only allowed the selection of papers that explicitly deal with heuristic and foreign market entry but may have also led to the non-identification of relevant studies in which the use of heuristically based decisions is more implicit or the selected keywords are present in the article text but not in the title/keywords/abstract. A second limitation concerns the decision to exclude some types of publication, such as book chapters, conference papers, editorials and letters, which might include relevant contributions to the topic under study; this exclusion might also generate an interpretation bias because of the limited number of reviewed literature pieces. Additionally, the paper used a manual literature review technique, without the use of software for the screening and analysis, and this choice may have led to unintended bias. However, we are confident that our systematic assessment of the selected papers offers a more nuanced and robust understanding of heuristically based decisions for foreign market entry.

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### Further reading

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