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The Impact of Cultural Intelligence on SME Internationalization: Entry Mode Choice and Performance

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Abbreviations

CEE - Central and Eastern European

CEO - Chief Executive Officer

CHRO - Chief Human Resource Officer

CMB - Common Method Bias

CKT - Conventional Knowledge Transfer

CQ - Cultural Intelligence

DACH - Germany, Austria, Switzerland

EO - Entrepreneurial Orientation

FDI - Foreign Direct Investment

GDPR - General Data Protection Regulation

ICT - Information and Communication Technology

IE - International Experience

IoT - Internet of Things

IPOs - Initial Public Offerings

KI-SMEs - Knowledge-Intensive Small- to Medium-Sized Enterprises

KM - Knowledge Management

KMU - Kleine und Mittlere Unternehmen

MNEs - Multinational Enterprises

mMNEs - Micro Multinationals Enterprises

RKT - Reverse Knowledge Transfer

ROI - Return on Investment

SD - Standard Deviation

SME - Small and Medium-Sized Enterprise

SPSS - Statistical Package for the Social Sciences

TMT - Top Management Team

UET - Upper Echelons Theory

UK - United Kingdom

USA - United States of America

WKO - Wirtschaftskammer Österreich

WOS - Wholly Owned Subsidiaries

Acknowledgments

Completing this thesis marks the conclusion of a long and challenging journey - one undertaken while living alone in a foreign country, balancing work with studies, and navigating important personal transitions. There were moments when the process felt overwhelming and uncertain, and continuing forward would not have been possible without the support of others.

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Finally, I want to acknowledge myself - the perseverance to continue on difficult days, the resilience to move through uncertainty, and the commitment to see this work through despite the challenges. Completing this thesis stands not only as an academic accomplishment but also as a deeply personal milestone, and arriving here fills me with a quiet, genuine sense of pride and gratitude.

To the woman who six years ago stepped beyond her comfort zone, left her home behind, and came to Vienna alone to pursue the dream of completing her master's degree abroad - you did it!

Abstract

English:

Internationalization has become an important avenue for SME growth, and several studies have been conducted to determine the elements driving this process. Drawing on Upper Echelons Theory, this study investigates whether international experience (IE) precedes cultural intelligence (CQ) and how CQ affects entry mode choice and international performance. The survey data from 87 SMEs from diverse countries and industries were examined using regression models with firm- and manager-level controls. The findings offer little to no evidence for the given hypotheses, showing that CQ may function as a contingent and temporally dependent capability, valuable but insufficient in isolation, and more likely to influence outcomes when combined with organizational resources and strategic preparation. The study adds to current theory by shifting focus away from the quantity of foreign exposure and towards the interpretation and integration of such experience, revealing the boundary circumstances under which CQ becomes practical in SME Internationalization.

German:

Die Internationalisierung hat sich zu einem wichtigen Wachstumspfad für KMUs entwickelt, und zahlreiche Studien haben versucht, die treibenden Faktoren dieses Prozesses zu identifizieren. Aufbauend auf der Upper-Echelons-Theorie untersucht diese Studie, ob internationale Erfahrung (IE) der Entwicklung von Cultural Intelligence (CQ) vorausgeht und inwiefern CQ den Markteintritt Modus sowie die internationale Performance beeinflusst. Die Umfragedaten von 87 KMUs aus verschiedenen Ländern und Branchen wurden mithilfe von Regressionsmodellen analysiert, die sowohl unternehmens- als auch managementbezogene Kontrollvariablen berücksichtigen. Die Ergebnisse liefern nur geringe, bis keine Unterstützung für die formulierten Hypothesen und deuten darauf hin, dass CQ als eine kontingente und zeitlich abhängige Fähigkeit fungiert - wertvoll, jedoch in Isolation unzureichend - und mit größerer Wahrscheinlichkeit Wirkung entfaltet, wenn sie mit Organisationalen Ressourcen und strategischer Vorbereitung kombiniert wird. Der theoretische Beitrag dieser Studie besteht darin, den Fokus von der Quantität internationaler Erfahrung auf deren Interpretation und Integration zu verlagern und damit die Rahmenbedingungen aufzuzeigen, unter denen CQ in der Internationalisierung von KMUs wirksam wird.

Understanding that culture shapes people who shape business is vital to win.

-Pedro Pina, head of brand solutions, Europe, Google (Meyer, 2014)

1. INTRODUCTION

Travel and leisure are often seen as chances to escape our daily routines, offering a mental hiatus. As a result, they are frequently perceived as a pause from learning and gaining wisdom (Iso-Ahola, 1982). However, this conventional perspective overlooks a deeper truth: traveling to new places and immersing ourselves in unfamiliar environments naturally leads to passive learning (Mitchell, 1998; Morgan, 2010). This is because travel experiences have intrinsic educational value, serving as paths to extend our viewpoints and increase our awareness of diverse cultures (Stone & Petrick, 2013).

Authors (Langley & Breese, 2005), highlight the significance of "Serendipitous travel", in which people actively engage with the cultural environment and develop a heightened sense of awareness. Similarly, "Experiential learning" provides a framework for understanding how travelers acquire knowledge through sensory experiences and personal insights (Miettinen, 2000). Furthermore, the concept of "Serious Leisure," introduced by (Stebbins, 1982), highlights the pursuit of leisure activities that are not only recreational but also aimed at accumulating experiences and fostering skill development. This is particularly relevant in international assignments and expatriate travels, which play a crucial role in cultivating specific cultural knowledge about the host country (Che Rose et al., 2007; K. Kim et al., 2008). Therefore, contrary to the notion of a cognitive break, travel is a dynamic, participatory process that enhances cultural awareness, enriches perspectives, and serves as a catalyst for transformative learning and personal growth (Morgan, 2010; Falk et al., 2012).

In turn, this enriched cultural understanding becomes a valuable asset across various fields, especially in today's interconnected world (Levy, 2005a).

As globalization and migration increasingly shape the workforce, the ability to effectively communicate with people from diverse cultures, whether in person or through digital platforms, becomes crucial (Crowne, 2013). Consequently, evaluating how individuals vary in their ability to operate across different cultural settings and interact with culturally diverse individuals is essential for deepening our understanding of culture's impact on business operations (Thomas et al., 2015).

Foreign environments may introduce stimuli that conflict with individuals' existing knowledge, prompting significant adjustments in their cognitive frameworks and leading to enhanced overall intellectual abilities (Chao et al., 2015). The gained international experience and cultural acumen serve as a source of tacit knowledge, offering a distinct competitive advantage (Le & Kroll, 2017).

Therefore, in an era where businesses increasingly operate on an international scale and travel is inevitable, managers who possess heightened cultural awareness are better equipped to navigate the complexities associated with cross-cultural differences (Ramsey et al., 2011). Furthermore, they are able to spot international opportunities more easily, can adapt more effectively to diverse environments, form meaningful partnerships, lead and negotiate successfully (Tihanyi et al., 2000; Prashantham & Young, 2011).

This evolving understanding of culture's role in management has led to the introduction of the concept of **cultural intelligence** (CQ). Coined by Earley and Ang in 2003, cultural intelligence refers to an individual's ability to recognize, understand, and adapt to cross-cultural contexts effectively (Earley & Ang, 2003). It relates to the success (or lack thereof) with which individuals acclimate to different cultures, such as in the context of international business (Brislin et al., 2006). Moreover, this cognitive capability has been observed to influence managerial decision-making, directly impacting organizational strategy and overall performance (Thomas et al., 2008).

Cultural intelligence as an asset is likely more crucial in small and medium-sized enterprises (SMEs) than in larger corporations. SMEs are typically owned and operated by a single decision-maker, often an owner-manager, or a small, close-knit group and as such, these individuals are responsible not only for setting the strategic direction but also for implementing the actions necessary to achieve organizational goals (Hsu et al., 2013).

For most organizations, achieving internationalization is among their primary goals.
Like any company that feels it was "born in the wrong place" and needs to venture abroad, SMEs often view internationalization as a pathway to the success they aspire to achieve (Y. Doz et al., 2001).
However, they often lack the necessary resources and in-depth knowledge required to compete effectively in the global economy (Stoian et al., 2018a). As a result, higher entry modes are frequently not considered (Brouthers & Nakos, 2004), making exporting the safest option, as it requires fewer resources, involves lower risk, and offers a relatively greater chance of stability (Sui & Baum, 2014).
Therefore, we believe that having a culturally intelligent owner-manager can address both challenges: serving as a vital resource that provides essential knowledge and the ability to navigate complex international landscapes, thereby making firms less risk-averse and more open to advanced entry modes.
Our suggestion is supported by the findings of (Chandler & Hanks, 1994; Feeser & Willard, 1990), who argue that the characteristics and experiences of the owner-manager play a pivotal role in shaping the firm's international trajectory. Similarly, (T. S. Cavusgil & Godiwalla, 1982) emphasize that the internationalization of SMEs is predominantly influenced by the subjective views and perceptions of decision-makers rather than through deliberate, logical steps.
This underscores the importance of examining the human dimension within these firms, as cognitive abilities, experiences, and accumulated knowledge significantly influence decision-making processes.
For this reason, we see Hambrick and Mason (1984) Upper Echelons Theory (UET) as the most suitable theoretical framework to guide this exploration. UET Theory highlights the profound impact of managerial attributes on business strategy and operations, emphasizing how leaders' characteristics shape organizational outcomes (Hambrick & Mason, 1984).
Therefore, by introducing the concept of cultural intelligence as valuable asset in the business world, we consider the broader implications:
Could a well-traveled, culturally aware, and experienced manager significantly enhance and refine strategic decision-making within an SME?

Furthermore, since SMEs often choose exporting as their preferred entry mode due to unfamiliarity with foreign markets, *might a culturally intelligent owner-manager be instrumental in selecting more diverse and effective entry strategies?*
Utilizing the Cultural Intelligence (CQ) scale (Ang & Van Dyne, 2008), we will examine senior leaders and key decision-makers of SMEs across various industries and countries, to assess their self-perceived levels of cultural intelligence and how they have leveraged this cultural acumen as a strategic asset in their companies' internationalization efforts and choice of entry modes.
Through this study, we aim to reveal the profound value of cultural intelligence as a potentially crucial asset within organizations, advocating for its heightened recognition and celebration as a key element of strategic insight.

1.2. Research Gap

The existing literature on the internationalization of firms primarily focuses on large multinational corporations, examined due to their extensive international activities, scale, and expertise (Agarwal & Ramaswami, 1992; Buckley & Casson, 2003).
Although they play a crucial role in global markets, Small and Medium-sized Enterprises (SMEs) are often neglected as a conventional unit of analysis in internationalization research (McAuley & Coviello, 1998). Despite this oversight, the discourse on SMEs internationalization and globalization has endured for more than four decades (Bilkey & Tesar, 1977; McDougall & Oviatt, 1996; McAuley & Coviello, 1998).
Theoretical models like the Uppsala model (Johanson & Vahlne, 1977), network theory (Coviello, 2006), transaction cost theory (TCT) (Ruzzier et al., 2006), entrepreneurial theory (Chandler & Hanks, 1994; Bloodgood et al., 1996), and resource-based view (RBV) (Barney, 1991), traditionally suggest that globalization is a gradual, incremental process through which a firm or international entrepreneurs gain experience, accumulate resources, and develop the necessary capabilities for global operations.
However, growing evidence suggests that SMEs, despite their limited resources, are pursuing rapid globalization, challenging the applicability of traditional theories in accurately explaining

the actual pathways of SME internationalization (Kuivalainen et al., 2007; Vanninen et al., 2017).

Emerging research on 'born global' firms (Harveston et al., 2000; Knight & Cavusgil, 2004; Zhou et al., 2007; Lopez et al., 2009; S. T. Cavusgil & Knight, 2015; Vanninen et al., 2017), 'international new ventures' (Oviatt & McDougall, 2005), and 'committed internationalists' (Bonaccorsi, 1992; Brush et al., 2002), shows that smaller, globally oriented firms often bypass incremental steps and engage in early and rapid international expansion (Madsen & Servais, 1997; Knight & Cavusgil, 2004).

Similarly, there is a growing body of literature on microMultinationals (mMNEs) (Dimitratos et al., 2003; Ibeh et al., 2009; Dimitratos et al., 2014; Ji et al., 2021) which, despite being small and medium-sized organizations, seek to capitalize on opportunities abroad and pursue distinct internationalization trajectories through advanced modes (Zahra & Hitt, 2000; Dimitratos et al., 2003; Stoian et al., 2018a; Ji et al., 2021).

This is especially important because, for a long time, the majority of research on SMEs has centered on their export activities, highlighting factors crucial for their survival (Sui & Baum, 2014), on general behaviors and strategies related to exporting (Bonaccorsi, 1992; Dalli, 1995), as well as more specific areas such as the relationship between firm size and export behavior and the performance characteristics of SME exporters (S. T. Cavusgil, 1984; Lu & Beamish, 2001).

However, the expansive literature on exporting SMEs requires a shift in focus to deepen our understanding of how smaller firms expand internationally beyond just exporting (McAuley & Coviello, 1998).

Researchers challenge the notion that resource constraints should limit smaller firms to exporting and advocate for exploring alternative methods of global expansion (Crick & Jones, 2000; Prashantham & Young, 2011; Dimitratos et al., 2014).

Papers that emphasize knowledge as a key asset driving SME expansion contribute to this much-needed shift in focus (Bell, 1995; Gassmann & Keupp, 2007; Nordman & Melén, 2008; Filatotchev et al., 2009).

Research has examined the factors that give knowledge-intensive small- to medium-sized enterprises (KI-SMEs) a competitive edge, enabling them to grow into multinational corporations (Jones, 2001; Stray et al., 2001; Knight & Cavusgil, 2004). Authors (Stoian et al.,

2018a) contribute to this discussion by suggesting that comprehensive global network knowledge, practical foreign market experience, and the international expertise of internal actors are essential types of knowledge. Together, these elements help mitigate the inherent challenges of smallness faced by SMEs, making their expansion efforts more achievable.
The risky attitude that drives SMEs to venture into knowledge-driven competitive environments, underscoring the importance of knowledge as a crucial resource for overcoming internationalization challenges (Thomas et al., 2015).
Nevertheless, a detailed examination of the SME internationalization literature reveals that our current understanding of the knowledge needed for internationalization beyond exporting is still inadequate (Yener et al., 2014; Chandra et al., 2021).
Particularly in light of the challenges posed by cultural barriers, it is crucial to understand how cultural intelligence, as a form of knowledge, can support SMEs throughout the internationalization process-from the initial conceptualization to successful implementation.

Although still in its early stages, research on Cultural Intelligence has attracted considerable interest from both academics and practitioners owing to its significance in the realms of globalization, international management, and workforce diversity (Earley & Ang, 2003; Ang et al., 2007b; Ang & Van Dyne, 2008; K. Kim et al., 2008; Thomas et al., 2008; Crowne, 2013).
Furthermore, cultural intelligence has been extensively studied in relation to expatriate adaptation (Gertsen, 1990; J. S. Black et al., 1991; Bhaskar-Shrinivas et al., 2005; Koo Moon et al., 2012; Chao et al., 2017; Song et al., 2023; Tripathi et al., 2024) and leadership performance (Peterson et al., 2003; Elenkov & Manev, 2009; Rockstuhl et al., 2011; Engelen et al., 2015; Berraies, 2019; Presbitero & Teng-Calleja, 2019).
Some researchers have also explored whether the benefits of cultural intelligence in comparison to other types of intelligence or competencies within organizational settings, like emotional intelligence or social intelligence (Goleman, 1995; Mayer et al., 1999; Kihlstrom & Cantor, 2000; Law et al., 2004; Rockstuhl et al., 2011; Y. Lin et al., 2012; Crowne, 2013).
Despite this, there is a substantial oversight in existing literature regarding the impact of cultural intelligence on strategic decision-making in SME internationalization, particularly in the selection of entry modes. While the paper by (Ang & Inkpen, 2008) highlights cultural intelligence as a firm-level intercultural capability crucial for selecting offshoring as an entry

mode, there is a noticeable lack of research examining the role of cultural intelligence as an individual-level intercultural capability and its influence on the choice of other entry modes. Specifically, how do the cognitive capabilities of owner-managers influence strategic choices in small and medium-sized firms (Herrmann & Datta, 2002; Hsu et al., 2013).

While there has been a growing interest among researchers in recognizing human capital as a crucial asset for successful SME internationalization (Ruzzier et al., 2007), the focus has predominantly been on the employee base within SMEs (Barney, 1991; Chandler & Hanks, 1994; Bloodgood et al., 1996), with less attention given to the owner-manager (Dabić et al., 2020).

Few studies have explored the characteristics of managers (e.g., CEOs) and their impact on decision-making, however, those that do tend to focus predominantly on large multinational enterprises (MNEs) rather than small and medium-sized enterprises (SMEs) (Laufs et al., 2016; Le & Kroll, 2017).

Studying CEO characteristics holds particular significance within the context of SMEs, as the CEO frequently serves as the primary decision-maker, with numerous SMEs being closely held and owner-managed (Fernández & Nieto, 2006).

As a result, the owner-manager plays a critical role in shaping the firm's direction, highlighting the need to address the paucity of research in this area to further develop existing theories.

In summary, existing research reveals significant gaps in understanding the role of cultural intelligence in shaping SMEs' internationalization strategies, highlighting the need for deeper exploration in this area. This study aims to bridge this gap by examining how the cognitive abilities of owner-managers, supported by Upper Echelons theory, influence their firm's internationalization decisions. Specifically, it will investigate the question:

How does international experience shape the development of cultural intelligence among SME decision makers, and in turn, how does cultural intelligence influence their choice of entry modes and their internationalization performance?

1.3. Intended Contribution

This thesis seeks to contribute to international business and strategic management research by incorporating Cultural Intelligence (CQ) into the Upper Echelons Theory (UET) framework to explain SME internationalization and entry method selection. It positions CQ as a critical managerial cognitive capability that can impact international strategic decisions, addressing an overlooked aspect of UET in the SME context. The study also includes international experience as a predictor of CQ, providing insight into how management backgrounds affect cultural competences and, as a result, the internationalization behaviour of SMEs.
Furthermore, it broadens the entry mode literature by investigating how CQ influences risk perception, opportunity recognition, and susceptibility to higher-commitment or non-traditional entry modes, combining behavioural perspectives on internationalization with UET.
Empirically, the study seeks to generate evidence on CQ within SMEs, which have received limited attention compared with multinational enterprises. It further evaluates the applicability of the CQ scale developed by Ang et al. (2007) in SME environments, filling a methodological gap by extending its use beyond expatriate or large-firm groups.
The study broadens our understanding of management cognition across numerous Organizational contexts by adding SMEs from various nations and industries.
From a practical standpoint, the thesis emphasises the importance of non-technical managerial capabilities - particularly CQ - in facilitating more successful and risk-free internationalization. It has implications for training, recruitment, and managerial development, as well as advice on how CQ can impact preferences for specific entry modes.
Overall, the study intends to get a more nuanced knowledge of how international experience shapes Cultural Intelligence and how CQ in turn may guide the internationalization paths pursued by SMEs.

2. LITERATURE REVIEW

2.1. CULTURAL INTELLIGENCE: An Introduction

As the study of individual abilities related to intercultural effectiveness remains limited, it leaves an intriguing inquiry into why certain individuals excel in culturally diverse environments while others falter (Ang et al., 2007b). "*What sets apart those who thrive in their overseas ventures from those who struggle with the complexities and abandon them early"* (Brislin et al., 2006)? The answer may well be found in the captivating concept of **Cultural Intelligence.**

First introduced by (Earley & Ang, 2003), cultural intelligence (CQ) is defined as an individual's ability to effectively navigate and adapt to diverse cultural environments. CQ has subsequently evolved into a vital instrument for evaluating the competencies required to function effectively within global and cross-cultural contexts (Matsumoto & Hwang, 2013). Cultural intelligence encompasses various facets, also known as intercultural competency (Thomas et al., 2008), global mindset (Rhinesmith, 1992; Kedia & Mukherji, 1999; Gupta & Govindarajan, 2002), transnational mentality (Ghoshal & Bartlett, 1990), and multinational mindset (Caproni et al., 1992), among others, each term reflecting different scholars' interpretations and expansions of the concept.

According to (Thomas et al., 2008), cultural intelligence involves understanding intercultural interactions, adopting a mindful approach towards these interactions, and developing adaptive behaviors to effectively navigate diverse cultural situations. This perspective is reinforced by the definition in (Earley & Peterson, 2004), which underscores the individual's ability to recognize, interpret, and respond to diverse cultural signals, thereby improving performance and cultural awareness across different contexts.

Cultural intelligence (CQ) may also be viewed as a convergence resulting from the interaction of multiple scholarly disciplines, including management, organizational behavior, anthropology and especially sociology and psychology (Fakhreldin, 2018).

This has led to an evolution in the discourse surrounding CQ, positioning it as a distinct form of intelligence rather than merely a competency (Levy et al., 2007; Thomas et al., 2015). Such a nuanced understanding compels an exploration into how CQ compares and contrasts with other forms of intelligence and personality traits (Ang et al., 2007b; Schmidt, 2009).

CQ is rooted in the broad concept of intelligence, which (Sternberg, 1997) defines as the ability to understand, logically engage with ideas, and excel in problem-solving tasks. Yet, CQ is distinct in that it incorporates the cultural context into these abilities, enriching their understanding and practical application (Van Dyne et al., 2012). In the realm of cultural intelligence, intelligence diminishes in significance when isolated from its cultural context (Gardner, 1983; Sternberg & Grigorenko, 2006), highlighting that a comprehensive understanding of intelligence necessitates acknowledging its interplay with cultural factors to preserve its genuine meaning and relevance (Thomas et al., 2015).

To illustrate the distinct nature of Cultural Intelligence (CQ) compared to other forms of intelligence commonly investigated in management research, we focus on two types: general mental ability (Locke, 2017) and emotional intelligence (Goleman, 1995; Mayer et al., 1999; Law et al., 2004).

General mental ability, which focuses on cognitive abilities, is context-independent and does not involve behavioral or motivational aspects of intelligence. Emotional intelligence, on the other hand, centers on managing personal emotions and, like CQ, extends beyond purely academic or mental intelligence. Unlike cultural intelligence, emotional intelligence primarily concerns the recognition and management of emotions within a general framework, without specifically addressing cultural contexts (Goleman, 1995; Kihlstrom & Cantor, 2000).

This means that high emotional intelligence in one cultural setting may not necessarily translate to effectiveness in another due to cultural variations in emotional expression and interpretation. In contrast, CQ is not tied to any specific culture and offers a broad range of capabilities that are valuable in any culturally diverse context, enabling it to adapt seamlessly across various cultural contexts (Baldwin, 1999; Earley & Ang, 2003).

A person with high emotional intelligence understands both the universal aspects of human nature and the distinctive traits that differentiate individuals (Mayer et al., 1999). In contrast, a person with high CQ can skillfully identify, from a person's or group's behavior, which traits

are universally human, which are specific to a particular culture or group, and which are unique to the individual (P. Christopher & Mosakowski, 2004).
When it comes to personality, CQ differs from personality traits in that CQ is a dynamic capability that can be developed and adapted, whereas personality traits are stable characteristics that describe consistent behaviors a person exhibits across various times and situations (McCrae et al., 1998).

Further exploring the facts of cultural intelligence, (Hofstede, 2001) distinguishes between culture-general and culture-specific knowledge, emphasizing the importance of both for effective cross-cultural interaction. Culture-general knowledge encompasses a broad understanding of cultural differences, while culture-specific knowledge focuses on the particulars of a given culture, such as language, norms, and traditions.
Moreover, (Thomas et al., 2015) argues that CQ comprises three interconnected facets such as cultural knowledge, cross-cultural skills, and cultural metacognition. Such facets facilitate effective interactions across diverse cultures.
Cultural knowledge involves recognizing the presence of other cultures through experiences with diverse individuals, understanding the nature of their differences, and gaining insight into their internal logic and typical behaviors to navigate them effectively (Sternberg, 1997; DiStefano & Maznevski, 2000; Tadmor & Tetlock, 2006).
Cultural skills, on the other hand, encompass the ability to learn from social experiences, appreciate critical cultural differences, establish successful connections with culturally diverse individuals, and adapt behavior appropriately to specific cultural situations (Thomas et al., 2008).
And lastly, cultural metacognition involves understanding and managing one's thinking and learning processes within the specific realm of cultural experiences and strategies (Flavell, 1979).
These foundational definitions lay the groundwork for exploring the four dimensions of cultural intelligence-namely, the metacognitive, cognitive, motivational, and behavioral dimensions (Ang et al., 2007a). Together, these dimensions form a comprehensive framework for understanding the complexities of cultural intelligence (CQ).

2.1.1. CULTURAL INTELLIGENCE: Dimensions

As elaborated so far, cultural intelligence (CQ) is a complex, multidimensional construct that is essential for effectively navigating and managing cross-cultural interactions (Earley & Ang, 2003). It is composed of several key dimensions, each addressing different facets of cultural awareness and competence, that collectively equip individuals with the necessary tools to understand and respond to the diverse cultural norms, values, and behavioral expectations encountered in global environments (Van Dyne et al., 2012).

According to (Earley & Ang, 2003), an individual's cultural intelligence inherently includes four conceptually distinct dimensions: metacognition, cognition, motivation, and behavior. These four components address the following inquiries: "*Do I know what is happening*?", "*Am I motivated to act*?" and "*Can I respond appropriately and effectively*?".
Metacognitive intelligence refers to the capacity to reflect upon and regulate one's own thinking processes. It involves being aware of one's cognitive abilities, understanding how they work, and using that awareness to monitor, control, and adjust them. Building upon this, cognitive intelligence pertains to the mental faculties engaged in information processing, reasoning, problem-solving, and learning. Furthermore, *motivational* intelligence represents the mental capacity to concentrate and sustain energy towards achieving specific goals or tasks. It involves understanding what drives oneself and others, as well as being able to harness and maintain that motivation over time. Lastly, *behavioral* intelligence is the ability to understand and manage one's own actions as well as to interpret and respond appropriately to the behaviors of others. It involves the capacity to adapt behavior to suit different situations, contexts, and social dynamics (Earley & Ang, 2003; Sternberg & Grigorenko, 2006; Ang et al., 2007b).
In the cultural context, the concept of *metacognition* involves self-awareness of one's biases and stereotypes, enabling individuals to consciously and intentionally monitor how their knowledge influences their thinking (Flavell, 1979; Swanson, 1990).
In addition, *cognition* encompasses the knowledge and understanding that individuals have accumulated over their lifetimes regarding cultural differences. *Motivational* cultural intelligence is exemplified by an individual's dedication to acquiring knowledge for a more

comprehensive and accurate understanding of cultural differences. And lastly, *behavioral* cultural intelligence signifies the capability to integrate cultural knowledge into behaviors and actions (Earley & Ang, 2003).

In summary, metacognition, cognition, and motivation are internal mental capabilities, while the behavioral dimension represents externally observable actions (Ang et al., 2007b). Different authors have offered varying perspectives on the dimensions of cultural intelligence and the number of these dimensions.

Authors (Bücker et al., 2015), delineate CQ into two dimensions: the mental or cognitive dimension, which includes metacognitive and cognitive CQ, and the action-focused dimension, which encompasses motivational and behavioral CQ. Additionally, (DiStefano & Maznevski, 2000) characterise cultural intelligence as a meta-capability comprising two complementary components: a comprehensive cognitive framework that guides the perception and interpretation of information, and a refined ability to adapt and revise this framework based on new experiences.

On another lens, (Van Dyne et al., 2012) enhances the traditional four-factor model of CQ by introducing an eleven-factor second-order structure, which adds sub-dimensions to each of the main dimensions: metacognitive, cognitive, motivational, and behavioral CQ. The expanded model implies that individuals with higher levels of specific sub-dimensions of CQ might be better equipped to manage the challenges posed by greater cultural distances, benefit more effectively from longer stays, and leverage previous international experiences more efficiently. Furthermore, (Bücker et al., 2015) critically reassess the conventional four-dimensional model of cultural intelligence, proposing a revised two-dimensional model: internalized cultural knowledge and effective cultural flexibility, as dimensions that provide a more accurate representation of cultural intelligence and enhance the precision of CQ assessment.

In conclusion the four dimensions collectively contribute to an individual's overall cultural intelligence, enabling them to operate effectively in diverse cultural environments through the comprehension, interpretation, and appropriate response to cultural cues (Ghoshal & Nohria, 1989; Shaw, 1990).

Recent research has explored the dimensions of CQ and their impact on individuals, emphasizing CQ's significant influence on organizational outcomes. Studies have examined these dimensions independently, in combination, and in relation to other constructs, underscoring CQ's critical value in global and culturally diverse environments. Aligned with the thesis objective, the upcoming sections will delve into the broader outcomes, including expatriate adaptation, task performance, and leadership effectiveness.

2.1.2. CULTURAL INTELLIGENCE: Organizational and Global Impact

As domestic job markets become more open to skilled foreign labor and companies increasingly rely on international assignees, research in cross-cultural management has primarily focused on how expatriates leverage cultural intelligence to succeed in international contexts. The dimensions of cultural intelligence (CQ) play a significant role in this process.

Studies by (Song et al., 2023; Tripathi et al., 2024), highlight the importance of motivational CQ on effective expatriate adjustment. Similarly, (Koo Moon et al., 2012), found that CQ mediates the impact of prior international experiences and cross-cultural training on expatriate adaptation. Moreover, (Stoermer et al., 2021) emphasize that expatriates' cultural intelligence (CQ) plays a crucial role in their integration into host organizations, fostering a stronger sense of connection and commitment. This heightened engagement also motivates them to actively share their knowledge within these environments. A study by (Vlajčić et al., 2019), which analyzed survey data from 103 senior expatriate managers in Croatia, found that cultural intelligence (CQ) significantly facilitates both Conventional Knowledge Transfer (CKT) and Reverse Knowledge Transfer (RKT) within multinational companies (MNCs). The study considers the dimensions of CQ - metacognitive, cognitive, motivational, and behavioral - as essential filters for interpreting and conveying knowledge, thereby enriching the overall knowledge transfer process.

Beyond expatriate adjustments, research consistently demonstrates a positive correlation between higher levels of cultural intelligence (CQ) and outcomes such as increased creativity and innovation.

For example, (Hsu et al., 2013; Lorenz et al., 2018) found that metacognitive and cognitive CQ enhance expatriates' ability to identify international opportunities and foster innovation, while motivational CQ helps maintain creative productivity in challenging environments. Similarly, (Altinay et al., 2021) demonstrated that entrepreneurs with higher cognitive and metacognitive CQ are more emotionally resilient, which positively influences their creativity and international entrepreneurship.

Additionally, there are studies that highlight how higher cultural intelligence (CQ) mitigates the effects of culture shock, and enhances expatriates' work engagement and overall performance (Ang et al., 2007b; Che Rose et al., 2007; G. Chen et al., 2010; A. S. Chen et al., 2011; Ramalu & Subramaniam, 2019; Schlaegel et al., 2021).

Authors (Jyoti & Kour, 2017) found that CQ, combined with emotional and social intelligence, enhanced the job performance of 342 managers in nationalized banks in India by facilitating better cross-cultural adjustment. Similarly, (Presbitero & Toledano, 2017) examined how cross-cultural training improved the cultural intelligence (CQ) of 225 global team members, which subsequently showed a positive correlation with individual task performance, particularly in settings characterised by high levels of cultural interaction.

Moreover, (X.-P. Chen et al., 2012; Al Shaer et al., 2023) demonstrate that individual CQ positively affects business outcomes, such as cultural sales and proactive service performance of real estate agents. Authors (Egwuonwu et al., 2022) corroborate these findings by showing that higher CQ reduces psychic distance, improving relational performance in international buyer-seller relationships. In this domain, (Paparoidamis et al., 2019) found that frontline employees in the hospitality industry, characterized with cultural intelligence (CQ) affects the impact of service quality perceptions on customer loyalty.

Further exploring diverse workplaces and the significance of cultural intelligence, (Turner & Merriman, 2022) discovered that elevated levels of CQ in Chief Human Resource Officers (CHROs) are associated with more proactive and effective diversity management strategies within organisations. Building on this, (Afsar et al., 2021) showed that in culturally diverse workplaces, employees with higher CQ are more engaged and exhibit greater trust among colleagues. This type of environment promotes idea development, divergent thinking, and ultimately, innovative behaviours.

The importance of cultural intelligence and diversity extends beyond traditional office environments to virtual work settings. The relevance and application of CQ in the context of virtual teams has become more prevalent due to the pandemic. Studies by (Mahadevan &

Steinmann, 2023; Mangla, 2021), examined the impact of the four dimensions of Cultural Intelligence (CQ) on virtual team effectiveness during the pandemic. They emphasize that high levels of CQ, especially behavioral CQ, are critical for the effectiveness of digital teams, enhancing communication, building trust, and clarifying roles among team members. In addition, team leaders with elevated CQ are better equipped to better manage culturally diverse virtual teams and address the challenges of remote collaboration across different cultural backgrounds.

Further enhancing our understanding on how CQ affects leadership performance, team dynamics, and organizational outcomes in culturally diverse environments, study by (Rockstuhl et al., 2011) which consists of interviews with 126 Swiss military officers with both domestic and international duties, found that CQ is significantly correlated with leadership success in international settings and emotional intelligence (EQ) is more predictive in domestic settings. Similarly, (Groves & Feyerherm, 2011), demonstrated that leader CQ, beyond EQ and other competencies, enhances perceptions of performance in diverse teams.
Additionally, study by (Charoensukmongkol, 2021) show that CQ's impact on leader-subordinate relationships among Chinese expatriates in Thailand, is mediated by additional qualities, like benevolence, highlighting the need for a combination of CQ and personal traits to build successful cross-cultural relationships. Authors (Presbitero & Teng-Calleja, 2019) also emphasized that leaders with high CQ enhance the impact of ethical leadership on team members' behavior, as CQ helps leaders navigate ethical norms across diverse cultural settings. This is because cultural intelligence (CQ) equips leaders with the ability to adopt a comprehensive view and remain attentive to the ethical norms and considerations relevant when interacting with team members from different cultural backgrounds.
The impact of cultural intelligence (CQ) on leadership effectiveness is also evident in cross-cultural negotiations. For example, a study by (Caputo et al., 2019), found that cultural values such as power distance, uncertainty avoidance, collectivism, masculinity, and long-term orientation shape negotiation styles through CQ. Specifically, high masculinity and power distance favor competitive negotiation styles, while high uncertainty avoidance and collectivism favor cooperative approaches. In a similar vein, (Imai & Gelfand, 2010), demonstrated that negotiators with higher CQ are more successful in integrative negotiations,

achieving increased joint profits. This success is attributed to CQ fostering psychological attributes essential for intercultural negotiation, such as cooperative motives and heightened epistemic motivation.

After reviewing this body of research, the significance of cultural intelligence (CQ) in global business contexts becomes evident. However, while its importance in post-internationalization contexts is well established, there is still a gap in understanding CQ's impact on firms' decision-making processes during the initial stages of internationalization. While having a higher CQ in a large corporation might go unnoticed and may not significantly impact the firm's overall international trajectory, in SMEs, where teams are smaller and highly interdependent, the role of cultural intelligence becomes critical. In such settings, CQ can directly influence collaboration, decision-making, and the success of early internationalization efforts, making it a crucial asset for navigating cross-cultural challenges effectively. Therefore, in the next sections we will investigate how cultural intelligence affects the early internationalization decisions of SMEs.

2.2. SMEs INTERNATIONALIZATION

Internationalization refers to the process by which a firm expands into global markets by adapting its strategy, structure, and resources (Welch & Luostarinen, 1988; Calof & Beamish, 1995).

It has become a vital pathway for companies seeking growth and sustained competitiveness in today's globalized economy. Despite its inherent costs, ambiguity, and risks, the benefits of internationalization are well-documented.

For example, (McDougall & Oviatt, 1996) identified that firms with elevated levels of international sales demonstrated enhanced performance concerning market share and return on investment (ROI). Similarly, (Bloodgood et al., 1996), noted a significant link between internationalization and increased profitability, while (Burgel et al., 2000), observed that exporters enjoyed higher productivity and sales growth.

Traditionally, international markets were dominated by large, resource-rich companies, making it difficult for smaller firms to compete on a level playing field (Andersen, 1993). However, the emergence of internationally oriented small and medium-sized enterprises (SMEs) has begun to challenge this conventional view (Oviatt & McDougall, 1997). As the backbone of national economies, SMEs must overcome the limitations of domestic markets in order to foster sustainable growth and improve their prospects for survival (Golovko & Valentini, 2011; Lee et al., 2012).

Therefore, over the past two decades, internationalization has become a crucial strategy for firms to access global opportunities and compete with larger organizations, including multinational corporations (MNEs) (Dabić et al., 2020; Madsen & Servais, 1997). In contrast to multinational enterprises, smaller firms are not encumbered by bureaucratic processes, inflexible hierarchical structures, or expensive legacy information systems (Liesch & Knight, 1999).

They are typically more capable of adapting their systems, routines, and the collective mindset of their employees to meet the demands of international competition. SMEs are generally more efficient at internalizing and solidifying information throughout the entire organization (McDougall et al., 1994). Additionally, they can take advantage of market imperfections in

different regions and achieve higher production volumes (Lu & Beamish, 2001). Furthermore, SMEs can easily acquire new knowledge, allowing them to develop valuable skills that enhance their adaptability and competitiveness in the global market (Ghoshal & Bartlett, 1990; Barkema & Vermeulen, 1997).
They tend to be more innovative, more focused on customer needs, and quicker to implement new technologies and address specialized demands and preferences (Carroll, 1984; Mascarenhas, 1996). This adaptability to the rapid advancement of technology has also been instrumental in making internationalization strategies more accessible to SMEs, enabling them to efficiently enter and compete in global markets. Innovations such as remote working, artificial intelligence, the Internet of Things (IoT), mobile applications, and social media have provided SMEs with flexible tools to facilitate their expansion into international markets (Caputo et al., 2016).

The drivers of SMEs' internationalization are varied, encompassing a mix of external and internal factors. External economic conditions, such as challenging home-country environments or market-seeking incentives, often push SMEs toward exploring international markets (Korsakienė & Tvaronavičienė, 2012). Moreover, the perception of a saturated or contracting domestic market, along with adverse conditions from local distributors, can act as strong catalysts compelling SMEs to seek opportunities abroad (Musteen et al., 2014). Simultaneously, internal drivers such as governance, ownership structure, and management characteristics play a significant role in triggering the decision to internationalize (R. Fletcher, 2001; Nowiński & Rialp, 2013).

Exporting firms are especially known for initiating their international expansion in response to unsolicited orders or enquiries from overseas markets (Gankema, et al., 2000; Golovko & Valentini, 2011; Sui & Baum, 2014). Additionally, the psychological and geographic proximity of potentially lucrative export markets often motivates neighboring firms to initiate exporting activities (Bell, 1995; Korsakienė & Tvaronavičienė, 2012).
According to (Stare, 2002), geographical and cultural similarities significantly influence early-stage international investment decisions for CEE firms. Familiarity with the language, personal

connections, and similar business cultures are particularly crucial in their internationalization process.
However, despite their strong motivation and compelling reasons to internationalize, the path to global expansion for SMEs is often riddled with challenges. These challenges will be analyzed in the next section.

2.2.1. SMEs Internationalization: Challenges

According to (Ács et al., 1997), the majority of SMEs "stay at home". Some focus on serving local niche markets, often influenced by the owner's level of control (Bell, 1995), while others lack the competitive advantage necessary to justify international expansion (Teece et al., 1997). Additionally, some small firms might just be unsuccessful innovators (Golovko & Valentini, 2011).
Although international expansion is uncommon among smaller firms, this does not imply that those capable of benefiting from it are unable to expand abroad (Bell et al., 2003). Unfortunately, they often face challenges that hinder their ability to engage in the internationalization process (Wright et al., 2007).

It is acknowledged that obstacles to internationalization exist at every stage of the process (Korsakienė & Tvaronavičienė, 2012), though their intensity may vary depending on the firm's level of resources, size, experience, and the specific markets they target (S. T. Cavusgil, 1984). During the initial phase of internationalization, (Johanson & Vahlne, 2009) argue that the primary challenges firms encounter during internationalization are the "*liability of foreignness*" and the "*liability of outsidership*". The *"liability of foreignness"* is associated with psychic distance, which includes factors such as cultural, political, legal, and economic differences between the home and host countries. On the other hand, the *"liability of outsidership"* refers to a firm's lack of knowledge about the business environment and key players in the target market, which can hinder its ability to become an insider and establish a strong foothold in that market. Additionally, (Johnson et al., 2006) highlight that in international business, the challenges encountered in overseas operations increase proportionally with the cultural distance between the home and host countries. This suggests that the greater the differences in

cultural norms, values, and practices between the countries, the more complex and potentially problematic the business processes can become.
Simultaneously, emerging organizations grapple with the *"liability of newness (LoN)"* which highlights the difficulties newly established firms face compared to more established competitors in building trust, establishing operations, and forming local relationships (Stinchcombe, 2000)**.**
Before even addressing the *"liability of foreignness"* and *"liability of newness"*, SMEs must first confront the *"liability of smallness*" (Ulvenblad & Barth, 2021).

This fundamental challenge encompasses difficulties such as limited resources, constrained scalability, and restricted access to capital - core disadvantages that smaller firms face due to their size, especially when compared to larger organizations.
Therefore, for a considerable period, the prevailing view has posited a positive correlation between a firm's multinationality and its size, suggesting that larger firms are more inclined to engage in international operations (McDougall & Oviatt, 1996). Larger firms generally possess greater resources, including financial capital and accumulated knowledge, thereby reducing their susceptibility to the "*liability of smallness*" and facilitating a smoother transition into new markets (Gimenez-Fernandez et al., 2020).
Considering that organizational size is frequently correlated with resource availability, small and medium-sized enterprises must carefully assess their decisions prior to undertaking international expansion (Mudambi & Zahra, 2007). Consequently, SMEs will only engage in foreign markets when they possess the requisite resources to facilitate such expansion (Rugman & Oh, 2013).
According to (Westhead et al., 2001), firms and entrepreneurs often refrain from internationalization due to their reluctance to allocate their limited resources to entering foreign markets.

Traditional management theories of internationalization suggest that the primary obstacle preventing organizations from expanding internationally is the concern about risks associated with entering unfamiliar markets (Oviatt & McDougall, 1997).

Many SMEs may be unable or unwilling to pursue internationalization because they perceive their products or services as unsuitable for these new, external markets (Wright et al., 2007). Additionally, some firms may find their markets restricted to the local domestic environment due to factors such as local preferences, high distribution costs, or a lack of competitive advantage over domestic suppliers in foreign markets (Johnston & Czinkota, 1985).
The institutional environment has also been shown to hinder SME internationalization, as evidenced by (Caputo et al., 2016; Chandra et al., 2021). Their research on Fijian and Central and Eastern European SMEs, highlights that weak legal systems and inadequate government mechanisms for promoting international trade create significant challenges for SMEs seeking to internationalize. Building on this point, (Becchetti & Trovato, 2002) highlight that limited access to external financing, including insufficient banking support, is a significant constraint on the internationalization efforts of Italian SMEs.

Transitioning to another aspect, (Hagsten & Kotnik, 2017) found that a key challenge for European SMEs in internationalization, particularly in starting exports, was the lack of ICT capabilities, including an online presence and e-sales platforms. Conversely, (Wright et al., 2007) argue that many firms only encounter barriers to internationalization once they have already ventured abroad. These firms often struggle with challenges such as limited brand recognition, market acceptance, economies of scale, and supply chain control (Chetty & Campbell-Hunt, 2003; Lee et al., 2012). Additionally, they encounter increased political and operational risks due to the unfamiliarity of the new environment (Korsakienė & Tvaronavičienė, 2012). This is why some exporting SMEs might pull out of the export market but may choose to re-enter at a later stage.

Internal challenges encountered after going abroad are also highlighted in the literature. The study by (Yener et al., 2014) on Turkish SMEs identifies several internationalization challenges, including insufficient managerial commitment to international markets, limited expertise in international marketing and networking, and difficulties in building trust and cooperation within existing networks and in establishing new ones abroad. Similarly, (Evans et al. 1991) found that initial foreign expansions are frequently hindered by inadequate management.

Managers lacking experience in foreign direct investment often face prolonged decision-making processes regarding internationalization, particularly when it comes to selecting the appropriate entry strategy (Herrmann & Datta, 2002).
Uncertainty and limited knowledge can lead to hesitation, misaligned choices, and delayed actions, as managers struggle to weigh the risks and benefits of various entry modes - such as exporting, joint ventures, or wholly-owned subsidiaries (Agarwal & Ramaswami, 1992).
This indecision can hinder the firm's ability to seize timely opportunities, underscoring the importance of experience and expertise in making strategic internationalization decisions - particularly when it comes to the crucial choice of entry mode.

2.2.2. SMEs Internationalization: Selection of ENTRY MODE

According to (Madhok, 1997), there are two fundamental factors to consider when selecting the foreign market entry. The first concerns the underlying motivation driving a firm's decision to expand internationally. The second relates to the strategic choice of how the firm will participate in the foreign market, namely through the selection of the most appropriate entry mode. Therefore, one of the most significant challenges in the internationalization process is selecting the appropriate entry mode, as this decision can greatly impact the firm's success in foreign markets (Brouthers & Nakos, 2004; Brouthers & Hennart, 2007).

Firms must carefully evaluate various entry modes, as each involves different levels of risk, control, and cost (Wright et al., 2007). Consequently, small internationalizing firms are often compelled to adopt flexible strategies to compensate for their resource and competence deficiencies (Bell et al., 2003).
Firms enter foreign markets to either leverage their existing resources, enhance them, or acquire new ones (Madhok, 1997). If a firm possesses geographically flexible resources, it may opt for low-resource entry modes, such as exporting or licensing, to leverage its existing assets. Some SMEs can also internationalize by forming strategic connections with larger companies, utilizing these partnerships to expand globally through joint ventures and alliances.
Conversely, if a firm's resources are location-specific, it may need to pursue high-resource

entry modes, such as foreign direct investments (FDI) or greenfield investments, to establish a stronger presence in the target market (Crouch et al., 2004; Tihanyi et al., 2005).

The literature encompasses multiple research streams that explore and explain various models of firm internationalization and the underlying reasons behind their selection (Caputo et al., 2016).

Starting with the Uppsala theory, (Johanson & Vahlne, 1977) suggest that firms expand internationally in a gradual and incremental manner, progressing through a sequence of developmental 'phases'. As firms advance through these stages, they allocate more resources to international markets and often expand into countries that are 'psychically' distant (Bell et al., 2003).

Evidence from Baltic and Polish SMEs suggests that the risk associated with internationalization is reduced by adopting a cautious and incremental approach, supporting the Uppsala model's validity. These firms began their global expansion through exports and eventually entered distant markets through joint ventures or acquisitions (Malo & Norus, 2009).

However, stage model theory has been widely criticized for advocating a linear and evolutionary approach to internationalization with distinct phases, without specifying the exact number of stages (Bell, 1995). Moreover, some authors argue that the concept of 'psychic distance' has diminished in importance owing to advancements in global communication and transportation infrastructure, along with the growing homogeneity of markets (Czinkota & Ursic, 2015; Nordström, 1991). Other researchers believe that internationalization theories supporting incremental internationalization do not adequately apply to service-intensive industries (Engwall & Wallenstål, 1988; Buckley et al., 1992).

According to (Young, 1987), alternative strategies like licensing and joint ventures are increasingly being used by smaller firms as initial entry modes into foreign markets

Supporting this view are models of rapid internationalization, such as those on born global, born regional, and international new ventures, suggesting that many new firms have managed to internationalize quickly, bypassing the traditional, gradual approach (Madsen & Servais, 1997; McDougall et al., 1994; Oviatt & McDougall, 1997; Harveston et al., 2000). This accelerated expansion has been facilitated by their global vision, innovative products, technological advancements, and the liberalization of government policies (Almor & Hashai, 2004; Zhou et al., 2007; S. T. Cavusgil & Knight, 2015).

Progressing with behavioral models, some authors highlighted the expansion of export activities as an innovation-adaptation cycle. This cycle is shaped by external 'attention-evoking' factors, such as unsolicited orders or inquiries, as well as internal elements like managerial ambitions and surplus capacity (Gankema, et al., 2000).
According to (Bernard & Jensen, 1999) only "successful firms engage in exporting".
This is because exporting serves as an initial step in international expansion, providing SMEs with quick access to foreign markets, minimal financial outlay, and valuable global experience (Mudambi & Zahra, 2007; Kogut & Chang, 1996).
Exporting requires a less significant resource commitment, making it a more convenient internationalization choice for SMEs (S. T. Cavusgil, 1984; Bernard & Jensen, 1999).
Traditionally, SMEs were thought to participate in international trade primarily as exporters or importers, as their inherent liabilities of small size and foreignness were believed to hinder their ability to engage in higher-commitment entry modes (Dimitratos et al., 2003).
Evidence from (Caputo et al., 2016) indicates that internationalization among firms in Central and Eastern Europe is predominantly marked by exporting activities and a significant reliance on personal and inter-firm networks. Similarly, the study by (Bell, 1995) on Scandinavian software firms found that exporting, whether direct or indirect, was the predominant entry strategy for most firms in their principal markets. In contrast, alternative market entry modes, such as joint-venture agreements or manufacturing abroad, were less likely to be suitable for these small software firms.
However, (Westhead et al., 2001) discovered through representative studies of the entire SME sector that only a minority participate in exporting, and among those that do, foreign sales contribute only a small percentage. In the European Union, only 18% of SMEs are identified as exporters. In the study by (Korsakienė & Tvaronavičienė, 2012) on Norwegian and Lithuanian SMEs, Lithuanian SMEs tend to rely on exporting, with geographic proximity being the most important criterion for selecting international markets. In contrast, Norwegian firms are known to prefer subcontracting, licensing, or establishing their own representatives abroad.

The network strategy approach on the other hand, is highly valuable for understanding the resourcefulness of entrepreneurs and SMEs, particularly concerning strategic alliances and joint ventures (Dabic & Bach, 2008; Ratten et al., 2007). According to (Zacharakis, 1997) alliances serve as a key strategy for internationalizing SMEs to overcome resource and capability limitations, thereby enhancing their chances of success. Alliance partners are crucial for SMEs, as they provide valuable insights into the host country and help mitigate the challenges of newness and small size. By offering access to advanced technologies and strengthening external relationships, these partnerships enhance SMEs' ability to compete and succeed in international markets (Eisenhardt & Schoonhoven, 1996; Lee et al., 2012).
The study by (McAuley & Coviello, 1998) on New Zealand SMEs found that business networks serve as a critical source of information, enabling these firms to accelerate their internationalization process, especially in a small and isolated economy like New Zealand. By building relationships with distributors, suppliers, complementary manufacturers, specialist firms, and customers, these SMEs can achieve international success that would be otherwise difficult to attain independently.
Supporting the importance of networks in SME internationalization, micro multinationals (mMNEs) have emerged as a new breed of small and medium-sized firms that prioritize the choice of entry mode over the timing of market entry (Dimitratos et al., 2003).
According to a range of studies, i.e., (Ibeh et al., 2009; Dimitratos et al., 2014; Vanninen et al., 2017; Ji et al., 2021) SMEs that exhibit a risk-taking attitude and actively engage in extensive networking are more likely to be classified as micro multinationals (mMNEs). Moreover, (Dimitratos et al., 2016) suggests that mMNEs are more actively involved in alliances with competitors compared to exporting SMEs, and these alliances yield significant benefits for mMNEs, such as gaining insider experience, acquiring know-how, generating royalties, and cost-sharing.

Apart from the low-risk entry modes discussed so far, there are also equity-based strategies, such as establishing wholly-owned subsidiaries, engaging in foreign direct investments (FDI), and greenfield investments (Lu & Beamish, 2001; Tihanyi et al., 2005). While these strategies offer substantial benefits for SME like broader and faster technological learning (Zahra & Hitt, 2000), they require a greater resource commitment and are less flexible in managing investment risks, such as political instability and market fluctuations in the host country (Prashantham & Young, 2011).

Authors Kogut & Singh, (1988) propose that the greater the cultural disparity between the home country of the investing firm and the target country, the more likely the firm is to choose a wholly owned entry mode. The substantial cultural disparities lead companies to exercise significant control in their market entry strategies in order to: minimize transaction costs and overcome challenges in transferring competencies, alleviate differences in cultural values and institutions, and ultimately enhance overall operational effectiveness (J. Li & Guisinger, 1992). However, according to (Wright et al., 2007) high-control entry modes are relevant to only a small subset of SMEs involved in knowledge and technology-based activities.

The emergence of knowledge-intensive small- to medium-sized enterprises (KI-SMEs) as a distinct category underscores the pivotal role of knowledge as a critical resource in shaping their choice of entry modes (Jones, 2001; Stray et al., 2001; Knight & Cavusgil, 2004). Authors (Almor & Hashai, 2004) note that numerous competitive small- to medium-sized enterprises with a knowledge-intensive focus have successfully evolved into multinational corporations. Similarly, (Dimitratos et al., 2003) attribute micro-multinationals' (mMNEs) propensity for other entry modes besides exporting, such as licensing and joint ventures, to their knowledge-intensive nature. Furthermore, (Stoian et al., 2018a) add to this discourse by emphasizing that deep global network knowledge, practical experience in foreign markets, and the international expertise of key internal actors are vital knowledge types that facilitate SMEs' international expansion strategies.

The risky attitude that drives SMEs to venture into knowledge-driven competitive environments, underscores the importance of knowledge as a crucial resource for overcoming internationalization challenges (Thomas et al., 2015).

Lastly, entrepreneurship-related aspects of internationalization have emerged as a counterpoint to the conventional wisdom of traditional internationalization theories (Engelen et al., 2015). For example, (Jones, 2001) suggested that broader perspectives, which appreciate the resources, choices, and decisions made by entrepreneurs, should guide efforts to facilitate more firms in internationalizing. Certain technology and non-technology firms may develop their international competitive strategies grounded in distinctive resources, such as human capital, encompassing entrepreneurial skills related to strategic orientation, vigilance, information acquisition and analysis, and cognitive mindset (Dana, 2004). Additionally, international entrepreneurship examines key personality traits, such as a strong need for achievement and a risk-taking propensity in managers, as factors that influence a firm's internationalization strategies (Fernández & Nieto, 2006).

Based on the discussions thus far, it is clear that research emphasizes the equally vital roles of knowledge and entrepreneurship in shaping internationalization strategies. These factors will be examined in more detail in the subsequent sections.

2.2.3. Knowledge as a Catalyst for Internationalization

As previously discussed, the Uppsala Model (Johanson & Vahlne, 1977) suggests that firms expand incrementally, increasing their commitment to foreign markets as they gain experience and reduce risk. The model posits that as a firm's knowledge of foreign markets deepens, the uncertainty surrounding operations in those markets diminishes, allowing for more confident and strategic decision-making.

However, the model vaguely refers to this as " *knowledge… vested in the decision-making system*" (Johanson & Vahlne, 1977), leaving room for ambiguity. Consequently, (Andersen, 1993) criticizes the model for not adequately explaining how this knowledge influences resource commitment, where it originates, and who exactly possesses it.

Therefore, further exploration of knowledge is necessary, as it plays a crucial role in enhancing our understanding of the internationalization process of SMEs (Casillas et al., 2009).

Knowledge is one of the primary factors influencing small firms' international behavior (T. S. Cavusgil & Godiwalla, 1982; Yli-Renko et al., 2002; Sapienza et al., 2006).

This is because having knowledge provides a foundation for innovation, leading to competitive differentiation and subsequently enhancing an SME's performance in foreign markets (McDougall et al., 2003). The first form of knowledge involves a firm's understanding of its own capabilities to carry out international operations and the resources it has available to support these activities (M. Fletcher & Prashantham, 2011).

When small to medium-sized firms encounter triggers for internationalization, they are unlikely to believe they have sufficient knowledge to commit resources. In response, they actively seek new information on customer preferences, market size, entry strategies, government regulations, and competitors, to build the necessary insights and leverage these prospects (Liesch & Knight, 1999; Yip et al., 2000; Johanson & Vahlne, 2009).
Acquiring the appropriate knowledge is crucial for successful international market entry, particularly for resource-constrained SMEs (Craig & Douglas, 1996), as the absence of relevant knowledge can substantially affect managers' perceptions of the costs related to internationalization (Eriksson et al., 1997). In a study involving Belgian SMEs, (Clercq et al., 2005) found that a key factor in boosting their international commitment was the acquisition and development of knowledge pertinent to foreign markets. Authors (Eriksson et al., 1997; Yu, 1990) introduced the idea of Internationalization Knowledge, which draws on a company's experience with its resources and capabilities in foreign markets. This type of knowledge, not limited to a specific country or entry method, helps reduce uncertainty from psychological distance and diminishes the necessity for a step-by-step approach to expansion (Eriksson et al., 2000).

When seeking knowledge, due to their inherent limitations, SMEs often need to rely on external sources (Egbu et al., 2005). Explicit knowledge, such as market research data on foreign markets or company brochures collected at international trade fairs, plays a crucial role in informing their internationalization efforts (Stoian et al., 2018a). Additionally, according to (M. Fletcher & Harris, 2012) external agents like advisers can offer small and medium firms essential knowledge that is critical for their international operations. This explicit knowledge consists of objective, codifiable information, including documented data, company rules, and procedures (Nonaka, 1998; Spender, 1996).
The duration of the new knowledge search process primarily depends on the level of prior knowledge within the company, which may have been acquired at an individual level by the founder and/or senior management (Casillas et al., 2009).
This knowledge, primarily tacit in nature, is acquired through general and professional experiences and is influenced by personal history (Athanassiou & Nigh, 1999a). Because it is

challenging to acquire, having an abundance of tacit knowledge on internationalization is likely to give the firm a significant competitive advantage in foreign markets (Teece et al., 1997). Referring to it as "core internationalization knowledge", (Casillas et al., 2009; Jones & Casulli, 2014; Nonaka, 2000) contend that this knowledge is predominantly possessed by key individuals within the organisation, such as managers or essential employees, and can be further enhanced through collaboration with their international business networks and partners (Stoian et al., 2017). According to (Huber, 1991), individual knowledge within the firm is crucial, as it provides valuable insights into the initial environment of new entities when the organization seeks to establish them. This knowledge also informs the processes that will be implemented, ensuring a smoother and more informed transition into the new market.
While external knowledge is objective, well documented and as such easily transferable (Spender, 1996; Nonaka, 1998), tacit knowledge is subjective, experiential, and difficult to codify, as it is embedded in individuals' beliefs, perspectives, mental models, and ideals, making it challenging to articulate or share between people (Yew Wong & Aspinwall, 2004). As a result, SMEs encounter unique knowledge management (KM) challenges that differ significantly from those faced by larger businesses (Durst & Runar Edvardsson, 2012).

Knowledge management encompasses the identification, acquisition, and effective application of both external and internal knowledge within an organisation to support strategic decision-making and enhance overall performance (Cohen & Levinthal, 1990; Krogh, 1998).
Larger firms typically excel in implementing formal knowledge management strategies, whereas SMEs often struggle with formal and systematic discussions to share tacit knowledge, instead relying predominantly on short-term, unstructured approaches to organizational learning (McAdam & Reid, 2001).
Additionally, managers in smaller firms often seek to prevent the outflow of knowledge from the company, which hinders knowledge sharing (Corso et al., 2003; Tunc Bozbura, 2007).
Furthermore, knowledge sharing activities are time-consuming and require a significant level of trust. The slow staff turnover commonly found in many SMEs can positively support these efforts (Durst & Runar Edvardsson, 2012).
The study by (M. Fletcher & Prashantham, 2011) on Scottish SMEs found that knowledge sharing is essential for firms undergoing rapid internationalization, which frequently

implement a high degree of formality in knowledge assimilation. This formality is defined by two primary elements: structured, scheduled events aimed at exchanging both explicit and tacit knowledge, and the process of transforming tacit knowledge into explicit representations. In contrast, a study by (Tunc Bozbura, 2007), indicates that Turkish SMEs are generally skeptical about knowledge sharing, whether related to the external or internal business environment. Knowledge sharing appears to be perceived more as a potential threat than as a beneficial opportunity for the individuals involved.

In light of all this, an organization's success is largely determined by how effectively managers can harness and transform available knowledge resources into value-generating activities (Alavi & Leidner, 2001). The integration of both tacit and explicit knowledge is essential for firms undergoing internationalization (Sapienza et al., 2006). Experience-based knowledge (Johanson & Wiedersheim-Paul, 1975) and planning-based knowledge (Yip et al., 2000) work together to guide the allocation of resources to international markets.

Both tacit and explicit knowledge are continuously developed and refined over time. According to (Casillas et al., 2009) tacit knowledge, it may originate from managers' previous international experiences and existing knowledge stocks, but it is continuously recombined and developed throughout the internationalization process. However, it is the current and existing knowledge base that drives internationalization and influences the choice of a new market (Benito & Gripsrud, 1992). Authors (Bell et al., 2003) argue that the primary source of competitive advantage for born global firms and those that internationalize from inception is often linked to the existing sophisticated knowledge base in the founders of these firms. Similarly, (Stoian et al., 2018b) highlight that multinational expansion is fueled by the tacit knowledge of internal actors, particularly in areas related to products, industries, and markets. Given that the primary internal actors in SMEs are often owner-managers, this underscores their importance in the firm as the primary repositories of critical knowledge (Cohen & Levinthal, 1990).

In this context, a deeper exploration of the owner-manager is necessary, focusing on how this knowledge is acquired. Therefore, the next section will examine the owner-manager's role, their international experience as the main origin of their international knowledge, and the importance of their cognitive abilities to retain and utilize this knowledge.

2.3. THE OWNER-MANAGER: Its Role in Internationalization

If firms strictly followed the Uppsala model, individuals would lack strategic choices. However, evidence shows that top management and entrepreneurs play a crucial role in shaping firms' international path (Andersson, 2000). Therefore, it is crucial to shift the focus toward the entrepreneur, who holds a central position in identifying and creating opportunities in foreign markets and is ultimately responsible for selecting the appropriate entry strategy (Wright et al., 2007). Entrepreneurs' drive for internationalization has been characterized differently by various authors.

Author (Perlmutter, 1969) categorized three fundamental mindsets in the management of a multinational enterprise, namely: ethnocentric, polycentric, and geocentric. An ethnocentric orientation reflects attitudes of national superiority, where headquarters prioritize the values, practices, and interests of the home country over those of foreign cultures. In contrast, a polycentric orientation allows firms to adapt their operations to align with the unique cultures, markets, and regulations of each host country. Finally, a geocentric orientation, or global mindset, emphasizes universalism, where managers adopt a supranational perspective, minimizing the importance of national and cultural differences to create integrated, globally consistent strategies.

Moreover, in their discussion on the transnational manager (Adler & Bartholomew, 1992; Levy et al., 2007) contrast the *conventional international manager*, who typically perceives the world from a single-country perspective, with the *transnational manager,* who adopts a global outlook marked by a broad understanding and appreciation of diverse foreign cultures.

This idea segues into the concept of *cosmopolitanism*, as described by (Hannerz, 1996) which embodies a readiness to engage with a broad spectrum of cultural experiences, demonstrating an openness to diversity and a preference for variety over uniformity. Cosmopolitan individuals, adept in navigating different cultures through listening, observing, intuiting, and reflecting. In addition, they are hailed as the new *cultural heroes* in the global economy by bridging cultural divides (Levy et al., 2007). Similarly, (Van Der Zee & Brinkmann, 2004) introduces the concept of *multiculturals* - individuals who, through extensive interaction with diverse cultures, develop high levels of cultural empathy, open-mindedness, and emotional stability.

Furthermore, *transformational leadership* is used to describe managers who adopt forward-looking and proactive leadership styles, recognizing that considering overseas operations is essential for successful international growth (Ji et al., 2021).

Author (Levy, 2005b) found that firms tend to be more internationally oriented when top management emphasizes the external environment and its diverse dynamics. In contrast, firms whose leadership focuses more on internal factors are less inclined to pursue globalization or establish expansive global operations. Study by (Ricks, 2006) reinforces this perspective, suggesting that many firms' failures in international markets stem from a lack of vision and an international mindset among managers.

Therefore, to effectively address organizational challenges and strengthen managerial competence, it is essential for entrepreneurs to move beyond an ethnocentric mindset and embrace a multicultural approach. This requires cultivating cultural self-awareness, being open to and understanding different cultures, and integrating diverse cultural perspectives and practices into their decision-making processes (Karagozoglu & Lindell, 1998).

While entrepreneurial tendencies may be less influential in larger organizations, they are of paramount importance in small and medium-sized enterprises (SMEs). This is because SMEs are often founded, owned, and operated by the owner-manager (Brush et al., 2002), resulting in the business planning and decision-making processes being concentrated in the hands of a single individual (Culkin & Smith, 2000).

Therefore, unlike larger corporations where decision-making is often distributed across multiple management levels, SMEs tend to have leaner organizational structures, with the owner-manager playing a more direct and central role in shaping the company's internationalization strategy (Kadam et al., 2019). Additionally, organizational routines in SMEs are generally less complex and institutionalized compared to those in established firms, providing flexibility that serves as a key competitive advantage in foreign markets (McDougall & Oviatt, 1996).

Authors (Chandra et al., 2021) found that in Fiji's SMEs, management competence (MC) and entrepreneurial orientation (EO) are key drivers of the internationalization process. Likewise,

(Reuber & Fischer, 1997) emphasize that management experience is particularly critical for SMEs in large domestic markets as they advance through various stages of internationalization. A study by (Hobdari et al., 2011) on SMEs in Estonia and Slovenia revealed that firms under insider ownership demonstrate, on average, a greater degree of internationalization. In their study of Dutch small and medium firms, (Bijmolt & Zwart, 1994) noted that export performance was affected by managerial factors, such as attitudes towards exporting and decisions informed by knowledge of international markets.
In this regard, (Ács et al., 1997) argues that many of the major corporations that now lead the global economy originally started as small businesses. In many instances, their rise to prominence was driven by their founders' development of groundbreaking skills, knowledge, and insights. Similarly, evidence from international new ventures suggests that these firms adopt strategies to serve global niche markets with unique products and services. Such ventures are founded by entrepreneurs with international experience and aggressive growth goals, and are notorious for maintaining tightly coordinated organizational processes (Jolly et al., 1992; McDougall et al., 1994; Oviatt & McDougall, 1997).

Therefore, it becomes clear that entrepreneurial traits, managerial competence, and a strong drive are essential in shaping the owner-manager's tendency toward internationalization. *But how can the owner/manager develop these skills to effectively lead SME internationalization?* In the following sections, we will examine how international experience forms the foundation of cultural intelligence, and how the capacity to process and transform this experience into actionable insights - through advanced cognitive abilities - is a vital skill for thriving in global markets.

2.3.1. Owner-manager: INTERNATIONAL EXPERIENCE

Considerable research underscores the association between managerial characteristics and internationalization strategy, indicating that executive international experience is closely linked to a firm's level of international diversification (Sambharya, 1996; Athanassiou & Nigh, 1999a; Tihanyi et al., 2000).

In this regard, (Reuber & Fischer, 1997) suggest that management teams with international experience are perceived as a valuable resource that influences SMEs to adopt behaviors conducive to a higher degree of internationalization. Additionally, (Nowiński & Rialp, 2013) found that for Central and Eastern European (CEE) firms, global and international experience of their managers is far more crucial to the internationalization process than the initial level of the resources. This is due to several key factors.

Foreign countries offer executives distinctive learning opportunities that are unattainable through experiences solely within their home country (Roth, 1995).
Time spent in foreign countries ignites a stimulus that challenges an individual's cognitive schemas and structures, creating a disconnect between their existing knowledge and beliefs and the realities they observe abroad. This dissonance fosters learning, which enhances both domain-specific knowledge and overall cognitive competencies (Le & Kroll, 2017).
The accumulated international experience enhances managers' awareness of global markets and fosters an international mindset, making them strong advocates for global expansion. Their exposure to foreign markets enables them to recognize emerging opportunities and gain insights beyond familiar domains (Brush et al., 2002; Earley, 2002; Williams & Chaston, 2004; Kirca et al., 2012).
According to (Spender, 1996), as managers gain experience in specific industries, they develop an 'industry recipe' that deepens their understanding of the environment.
This valuable knowledge enhances their confidence in adapting and navigating these contexts, allowing them to assess risks and returns more accurately, make informed investment decisions, and manage global operations more effectively (Tung & Miller, 1990; S. S. Black, 1997; Kedia & Mukherji, 1999; Carpenter & Fredrickson, 2001).
Because managers with international experience are more adept at managing the uncertainties associated with international operations, they perceive full-control entry modes as less risky (Daily et al., 2000). In contrast, executives without such experience often overestimate risks and undervalue potential returns, leading them to prefer joint ventures over direct investments (Hennart, 1991). Similarly, (Eisenhardt & Schoonhoven, 1996) found that top management teams with international experience are more likely to establish partnerships, leveraging their enhanced ability to identify, attract, and engage potential global partners.

In line with this, (Reuber & Fischer, 1997) observed that in small Canadian firms, top managers with international experience were not only more inclined to pursue international partnerships but also achieved faster market penetration abroad compared to firms with less experienced executives.
This suggests that international experience not only influences entry mode preferences but also accelerates international expansion.

This accelerated approach is especially evident in small and medium-sized enterprises (SMEs), where internationally experienced leaders minimize the time taken to seize global opportunities. Authors (Sapienza et al., 2006) suggest that firms whose founders have been exposed to internationalization in their previous employment are more likely to expedite the company's entry into foreign markets. The prior exposure equips these founders with valuable insights, strategic networks, and a heightened understanding of global market dynamics, allowing them to bypass common entry barriers and move swiftly into international operations. Consequently, such firms are better positioned to gain early mover advantages (Musteen et al., 2010).
Top management's international experience is argued to be one of the factors that explain the rapid expansion of born-global companies (S. T. Cavusgil & Knight, 2015).
The study by (Oviatt & McDougall, 2005) demonstrates that born-global firms are often founded by teams with substantial international insights. These firms tend to have leaders who possess not only more international experience but also a greater willingness to take risks compared to managers in firms that pursue a more gradual path to globalization. This combination of global expertise and risk tolerance allows born-global companies to bypass traditional stages of internationalization and quickly establish themselves in foreign markets (Harveston et al., 2000).
This perspective is further complemented by linking the international experience of top management teams to enhanced internationalization during the IPO stage (Bloodgood et al., 1996). Moreover, (Carpenter et al., 2003) found that technology firms pursuing IPOs are more inclined to adopt global strategies when the international experience of their top managers is reinforced by the expertise of board members or venture capitalists with global exposure.

International assignments not only enhance managers' skills but also help them expand their networks, which can alleviate other resource constraints (Caputo et al., 2016).
Similarly, (Athanassiou & Nigh, 1999b) argue that executives with international experience are more likely to build extensive global advisory networks, which are crucial for navigating international markets. Studies by (Manolova et al., 2010, 2014) further demonstrate that an entrepreneur's network size significantly influences internationalization, with inter-firm networks playing a pivotal role, especially for younger firms. As firms mature, the advantages of domestic ties diminish, but the entrepreneur's personal network remains influential. In addition, financial networks, including advisors and investors, become increasingly vital as ventures grow, offering essential support for the internationalization process.
Additionally, networks help enhance linguistic skills, which, alongside international experience, further strengthen efforts for successful global expansion (Musteen et al., 2014). Managers with these skills gain quicker and deeper access to information about overseas markets, enhancing their understanding. Furthermore, strong language abilities demonstrate confidence in establishing market contacts and receiving direct feedback (Swift, 1991; Baldwin, 1999; Williams & Chaston, 2004).

Despite the proven benefits, managers with international experience remain relatively rare (Carpenter et al., 2001). Many companies opt to hire management personnel with specific international backgrounds and experience in other organizations to gain knowledge and skills that will benefit their own international expansion efforts (Casillas et al., 2009).
This scarcity is problematic given that such experience is invaluable for reducing business uncertainties and enhancing cultural knowledge (Sambharya, 1996).
Moreover, it sets a precedent for developing culturally adept managers who are equipped to embark on internationalization and navigating the complexities of global markets (Pless et al., 2011).

Cultural intelligence, being a malleable and developmental capability, is primarily acquired through traveling and cultural exposure (Crowne, 2013; Ang & Dyne, 2015).
Therefore, proliferation of international travel and other multicultural experiences play a significant role in enhancing an individual's cultural intelligence (Johnson et al., 2006).

Evidence suggests that individuals with work or educational experiences abroad exhibit higher levels of cultural intelligence compared to those with less immersive overseas experiences (Crowne, 2008).
Organizations contribute to the development of cultural intelligence through facilitating expatriation and offering individuals an in-depth exposure to new cultural settings (Sambharya, 1996; Carpenter et al., 2001; Che Rose et al., 2007; K. Kim et al., 2008).
Authors (Pless et al., 2011) further emphasize the positive impact of foreign service learning programs on executives' cultural intelligence, highlighting the correlation between the frequency and duration of trips abroad and elevated levels of cultural intelligence.
In this context, the number of foreign locations visited is particularly important.
For instance, an individual who has visited only one country will have fundamentally different exposure compared to someone who has explored ten different countries (Crowne, 2013).
Traveling to multiple countries allows for a more comprehensive understanding of the variations in cultural norms, emotions, and practices, fostering a richer understanding of the behavioral variations that exist across cultures (Ang & Dyne, 2015). In addition, the choice of country is also pertinent to this narrative.
A study conducted by (Engle & Nash, 2016) examines how the country of immersion influences the development of cultural intelligence (CQ) among United States citizens. The findings indicate that individuals who spend more time in non-Anglo countries tend to develop higher levels of CQ compared to those who stay in Anglo countries.

Given the wealth of evidence presented, it becomes clear that cultural intelligence is not merely an innate ability but a skill that can be cultivated and refined through diverse and deliberate experiences (Johnson et al., 2006).
Organizations that invest in and prioritize cultural training and international exposure for their employees are, therefore, more likely to develop a workforce capable of thriving in the increasingly interconnected world (Carpenter & Fredrickson, 2001; Sambharya, 1996).
This alignment between personal growth and organizational strategy not only bolsters individual competencies but also enhances the overall cultural agility of the organization.
However, acquiring cultural knowledge while abroad is not automatic or guaranteed. Instead, the ability to learn from international experiences can vary significantly depending on the

entrepreneur's cognitive traits and mental processes. This indicates that an entrepreneur's distinctive manner of thinking, comprehension, and information processing is instrumental in shaping the effectiveness with which they learn from their international experiences (Calori et al., 1994; Alvarez & Busenitz, 2001; Santos-Álvarez & García-Merino, 2010).
Therefore, closely examining the cognitive abilities of the owner-manager will help us understand how they can materialize the potential benefits of international experience, such as identifying new opportunities, forming strategic partnerships, and effectively navigating diverse cultural environments.

2.3.2. Owner-manager: COGNITIVE ABILITIES

Throughout this study, we have emphasized that a firm's internationalization begins with recognizing international markets as opportunities for growth and increased profitability, even before any actual steps are taken to enter these markets.
Authors (Shane & Venkataraman, 2000) propose that two factors influence the likelihood of an individual or organization recognizing or discovering an internationalization opportunity: having prior information and possessing the cognitive traits needed to evaluate it effectively.
Therefore, the cognitive abilities of owner-managers are essential, as they play a pivotal role in recognizing and seizing prospects for internationalization for SMEs (Boddewyn, 1983).
The inclusion of a cognitive perspective is justified due to recent developments in the global economy, which have created a complex decision-making environment characterized by information overload, uncertainty, and ambiguity (Levy, 2005b).
Consequently, top management must cultivate advanced cognitive abilities to effectively interpret and navigate these challenges (Y. L. Doz & Prahalad, 1991).
As a result, scholars and professionals alike are increasingly recognizing the cognitive capabilities of key decision-makers as a critical success factor, influencing a wide range of organizational outcomes (Caproni et al., 1992; Harveston et al., 2000; Levy, 2005b). This focus examines how managerial cognition shapes the business context, emphasizing the development of a global mindset, cross-cultural competence, strategic decision-making, problem-solving,

and adaptability to rapidly changing environments (Schwenk, 1984; Stubbart, 1989; Swanson, 1990; Howard et al., 2000; Perfect & Schwartz, 2002; Levy et al., 2007).

Within the literature on SME internationalization, there is a growing acknowledgement of the importance of individual cognition, interpretations, and perceptions in shaping the international behaviour of small and medium-sized enterprises (Mathews & Zander, 2007; Jones et al., 2011; Hsu et al., 2013; Munteanu et al., 2023).

This growing consensus signifies an acknowledgment that the current competitive landscape necessitates a shift in emphasis from structural and administrative mechanisms to capabilities rooted in mindset and that cognitive capabilities of senior managers as the pivotal foundation of contemporary companies, exerting a substantial impact on globalization endeavors (Ghoshal & Bartlett, 1990; Y. L. Doz & Prahalad, 1991).

Within the framework of cognitive abilities, which encompass a range of mental processes, *attention* stands out as the critical first step in a three-stage information processing model: attention, interpretation, and action (Abrahamson & Fombrun, 1994). During the attention phase, top management directs its focus toward the external environment, a vital precursor to forming a comprehensive global strategic outlook (Kiesler & Sproull, 1982; D'Aveni & MacMillan, 1990). This focused attention allows leaders to detect key signals, trends, and potential threats that might otherwise go unnoticed.

The second phase, interpretation, entails structuring and assigning significance to the collected information. This structuring of environmental data shapes the perceptions and cognitive framing of top managers, which in turn influences how they understand complex global dynamics (Daft & Weick, 1984).

Ultimately, these interpretations inform the final phase - action - where strategic decisions are made based on the understanding built during the previous stages (Kiesler & Sproull, 1982). The entire cognitive process, from attention to interpretation to action, highlights the essential role of attention in shaping managerial behavior. It not only influences subsequent interpretations but also sets the foundation for future strategic actions (Dutton & Duncan, 1987).

In multinational settings, individuals possessing higher levels of cognitive complexity are particularly essential for managing the dual challenges of global integration and local adaptation. These individuals exhibit a strong capacity for tolerating ambiguity and an openness to exploring a wider range of alternative perspectives (Chang & McDaniel, 1995). They are adept at reconciling complex business, cultural, and geopolitical dynamics (Rhinesmith, 1992). What distinguishes them is their ability to seek out a wide range of information sources, perceiving multiple layers and dimensions within that information (Dollinger, 1984; Karlins & Lamm, 1967).

This enables them to process and apply competing and complementary interpretations simultaneously, adding depth and flexibility to their decision-making (Bartunek et al., 1983). Moreover, they dedicate substantial time to the meticulous analysis of data, demonstrating their analytical precision and comprehensive approach (Sieber & Lanzetta, 1964). Cognitive complexity also facilitates the development of more nuanced and comprehensive impressions (Streufert & Swezey, 1986), improves the capacity to reinterpret problems, and is associated with greater proficiency in handling contradictions (Merron et al., 1987).

This understanding of cognitive capabilities in managerial contexts lays the foundation for exploring the Upper Echelons theory, which posits that the characteristics and decisions of top executives profoundly shape organizational outcomes (Hambrick & Mason, 1984).

The cognitive depth and flexibility of these leaders directly influence the strategic direction and overall success of their organizations, particularly in the face of global complexity and uncertainty.

3. THEORETICAL FRAMEWORK: Upper Echelons Theory (UET)

The Upper Echelons Theory (UET) suggests that organizational outcomes - such as strategic choices and performance levels - are significantly influenced by the personal characteristics of top executives (Hambrick & Mason, 1984). By examining how these attributes shape managerial cognition and decision-making processes, we gain deeper insight into leadership's role in driving organizational success.

Building on Cyert and March's (1963) behavioral theory of the firm, which emphasises bounded rationality in decision-making, UET redirects the emphasis towards the individual traits of top managers (Cyert & March, 1963). Additionally, this theory offers a counterpoint to views from (Hannan & Freeman, 1977; Hall, 1988), who argue that large organizations are predominantly influenced by external events or 'run themselves'.
The unit of analysis in the UE theory is the Top Management Team (TMT), which consists of individuals holding top management positions, highlighting the importance of this group in organizational analysis. The TMT encompasses a group of senior executives, distinguished by their roles, and titles, who collectively serve as a pivotal interface between the organization and its external environment (Hambrick et al., 2005a). Due to their hierarchical status and decision-making authority, TMT members wield significant influence over the strategic direction and overall performance of the organization. Among these executives, the Chief Executive Officer (CEO) often emerges as the most prominent figure, frequently cited in research as a key informant and central to the decision-making process (Herrmann & Datta, 2002; Hsu et al., 2013).
According to (Hambrick & Mason, 1984) the decision-making processes of TMT and the CEO are influenced by their cognitive frameworks and core values, encompassing three principal elements: (1) focusing attention to narrow the field of vision, (2) selectively filtering perceptions, and (3) interpreting stimuli through cognitive lenses. This influences their perceived reality and strategic choices, including resource allocation and operational control.
In the later refinement of the original theory, (Hambrick, 2007) adds two significant moderating factors: (1) managerial discretion and (2) executive job demands. Specifically, if there is a significant amount of discretion available, the characteristics of managers will be

evident in both strategy formulation and performance outcomes. Conversely, if discretion is limited, the traits of executives may not have a substantial impact. Moreover, under high job demands, executives tend to rely on familiar strategies, shaped by their backgrounds, as cognitive shortcuts. Conversely, with lower job demands, they can engage in more thorough, objective analysis (Hambrick et al., 2005b; Hambrick, 2007).

In line with this complexity, (Finkelstein, 1992) introduced the concept of managerial discretion, which refers to the "latitude of action" available to key decision-makers. This latitude is shaped by the organizational context and external environment surrounding the decision-making process.

Additional empirical evidence based on the Upper Echelons Theory suggests that diverse characteristics of top executives, including international experience (Daily et al., 2000) educational level (Herrmann & Datta, 2002) age (Tihanyi et al., 2000), positional tenure (Herrmann & Datta, 2005) and duality (Roth, 1995), can serve as indicators of their cognitive orientation, knowledge base, and information processing abilities. These attributes enhance executives' capacity to navigate international complexity, manage ambiguity, and process the flood of data effectively (Nielsen & Nielsen, 2011).

A key implication of UET is its application to internationalization efforts.

Authors (Sanders & Carpenter, 1998) expanded on UET by identifying a positive correlation between the size of TMTs and a firm's global strategic posture, suggesting that larger teams bring a broader range of perspectives and capabilities. Similarly, (Tihanyi et al., 2000) found that TMT characteristics, such as tenure, education, and international experience, contribute to richer strategic orientations, reinforcing the idea that varied experiences within TMTs enhance global operations. Research by (Carpenter et al., 2003) on technology-based IPO firms illustrated that globalization strategies are more prevalent when TMTs and directors share international experience, underscoring the collective impact of top managers' backgrounds on strategic choices. This collective dimension of UET suggests that the interplay between individual executives' attributes and their collective dynamics within TMTs is crucial in shaping organizational outcomes.

Team heterogeneity has also been a central focus in numerous papers within the context of the Upper Echelons theory. Heterogeneous Top Management Teams (TMTs), particularly those with social cognitive benefits, not only can effectively handle increased complexity but also initiate competitive attacks, leading to the subsequent gain of more market share (Phillips & O'Reilly, 1998; Ferrier & Lyon, 2004). Such studies highlight how executives with a global mindset and diverse backgrounds are more likely to pursue and succeed in international partnerships and ventures. This reinforces the importance of cognitive and psychological dimensions, such as cultural intelligence, which are critical yet often underexplored aspects of UET (Carpenter et al., 2004). The ability to understand and integrate diverse cultural perspectives strengthens a team's capacity to navigate global markets, underscoring the value of heterogeneity in TMTs. These findings suggest that a diverse leadership team not only fosters innovation and adaptability but also enhances a firm's ability to succeed in the global business environment (Shaw, 1990).

In this study, we argue that there is a strong connection between Upper Echelons theory and Cultural Intelligence (CQ). The CQ of a firm's top management team (TMT) is a vital resource for organizational success, as the TMT embodies the firm's vision and worldview (Ang & Inkpen, 2008). Their experiences shape cognitive structures that influence how they perceive, interpret, and respond to business challenges (Miller, 1991). These mental models equip the TMT to navigate rapidly changing environments and devise effective strategies, turning business opportunities into competitive actions - a hallmark of organizational success (Kiesler & Sproull, 1982).

In summary, the Upper Echelons Theory, supported by extensive empirical research, offers a robust framework for understanding how the cognitive characteristics and demographic attributes of top managers shape strategic decision-making and firm performance. By examining the interplay between executives' backgrounds, their cognitive orientations, and organizational strategies, UET clarifies the critical role that leadership plays in driving strategic outcomes. This perspective provides valuable insights into the dynamics of strategic management, particularly within the complexities of global business operations, where the influence of diverse experiences, perspectives, and cognitive frameworks is paramount to organizational success.

4. HYPOTHESIS DEVELOPMENT

Thus far, we have explored the essential traits that characterize a culturally intelligent entrepreneur and examined how firms can leverage this valuable resource to achieve better organizational outcomes.

First, we argue that a culturally intelligent entrepreneur must possess substantial international exposure, including extensive travel and meaningful experiences living and working in foreign environments. This is crucial because international experience serves as a valuable source of competitive advantage for firms operating in the global marketplace (Sambharya, 1996) and for aspiring executives advancing their careers (Takeuchi et al., 2005). Additionally, international experience is widely regarded as a key factor in the development of cultural intelligence (CQ) (Engle & Nash, 2016).

This is because CQ is recognized as a capability that is both adaptable through experience and universally applicable across culturally diverse situations rather than tied to any specific culture (Ang et al., 2007b; Leung & Chiu, 2010). Additionally, we acquire cultural knowledge through specific cross-cultural experiences that offer insights into the "dos and dont’s" of interacting with individuals from different cultures (Fang et al., 2018).

This occurs because foreign environments present stimuli that create cognitive dissonance between an individual's existing cognitive schemas and the unfamiliar surroundings. Cognitive dissonance occurs when individuals encounter new, significant, critical, or contradictory behaviors and experiences that cannot be fully interpreted or reconciled within the framework of their existing knowledge or beliefs (Endicott et al., 2003). This dissonance, in turn, fosters learning through processes of assimilation and accommodation, thereby supporting the development of both domain-specific knowledge and more general cognitive skills (Le & Kroll, 2017).

Numerous studies have established a positive correlation between international experience and CQ, with evidence suggesting that time spent abroad accelerates CQ development (Che Rose et al., 2007; A. S. Chen et al., 2011; Crowne, 2013; Jyoti & Kour, 2017). The depth of intercultural experience has also been explored, with the number of countries visited and the length of time spent abroad demonstrating a significant impact on the enhancement of CQ

(Crowne, 2013; M. Li et al., 2016). A study by (Crowne, 2008) identifies an additional antecedent to cultural intelligence beyond vacation, work, and education experiences: actively being employed and working with individuals from diverse cultural backgrounds. Furthermore, individuals with international experience often exhibit higher self-efficacy and open-mindedness, traits that contribute substantially to the development of CQ (Fischer, 2011; MacNab et al., 2012). Moreover, different international experiences influence the dimensions of cultural intelligence in distinct ways (Crowne, 2008).

Employment abroad has been linked to overall CQ and metacognitive CQ, while education abroad is associated with overall CQ and all four CQ dimensions. Similarly (Moon, 2013) argues that prior work experience in overseas departments enhances cognitive CQ, while interactions with foreigners in one's home country boost metacognitive CQ. On the other hand, study-based intercultural experiences have been found to improve all CQ dimensions except metacognitive CQ (Kurpis & Hunter, 2017).

For owner-managers of SMEs, international exposure is especially valuable. Working with foreign stakeholders requires them to process and understand cultural differences (cognitive CQ), adapt strategies and assumptions (metacognitive CQ), and sustain motivation to engage effectively across cultural contexts. This exposure also fosters behavioral adjustments, such as modifying communication styles to align with local customs (Crowne, 2013; Berraies, 2019). These experiences empower SME owner-managers to recognize international opportunities and convert them into tangible outcomes, while also enhancing their leadership, negotiation, and networking skills (Imai & Gelfand, 2010; Elenkov & Manev, 2009; Al Shaer et al., 2023; Mammadov & Wald, 2025).

Ultimately, owner-managers with international experience are better equipped to leverage their CQ for strategic decision-making, particularly in culturally diverse markets (Ang et al., 2007b). This aligns with research suggesting that individuals with more international exposure tend to develop heightened cultural sensitivity and adaptability, which are crucial for international business success (Setti et al., 2020).

We therefore propose the following hypothesis:

H1: International experience positively influences the development of cultural intelligence among SME decision-makers.

Secondly, we propose that elevated cultural intelligence derived from international experience significantly shapes decisions related to SMEs' internationalization. CQ coefficient helps predict and explain organizational behaviors, attitudes, and performance.

Given SMEs' resource constraints, the international exposure of their owner-managers often becomes the firm's primary source of international experience. A culturally intelligent owner-manager can be seen as embodying a culturally intelligent firm (Child & Hsieh, 2014) compensating for organizational experience gaps and playing a critical role in navigating the complexities of internationalization.

International or geographic experience enhances a firm's knowledge of foreign markets and lowers the perceived risks associated with international operations (Casillas & Acedo, 2013). Conversely, limited geographic experience can lead to an overestimation of risks, causing the firm to underestimate or completely overlook the potential revenue opportunities and the appropriate entry strategies in the host country (Erramilli, 1991).

This is particularly important, as factors like psychic distance and uncertainty avoidance often deter firms from pursuing advanced strategies (Dana, 2004), leading many to default to exporting due to its lower risk and resource requirements (Charoensukmongkol, 2016; Stoian et al., 2018a). Additionally, cultural distance has historically been linked to lower joint venture rates because of challenges in trust-building, coordination, alignment, and higher costs (Park & Ungson, 1997).

According to (Johanson & Vahlne, 2009) uncertainty in international markets can only be diminished through direct involvement and operations within the relevant markets, rather than solely relying on the acquisition of "objective" information. This is supported by (Davidson, 1983), who claims that companies tend to base their market selection decisions primarily on firsthand experience rather than on structured market research.

Consequently, companies with limited initial information will prefer entering geographically or culturally closer markets using low-commitment entry modes. However, as they accumulate experience, they gain confidence to expand into more distant markets and adopt more advanced entry modes (Johanson & Vahlne, 1977). Equity investments, in comparison to non-equity investments, require more comprehensive information collection and analysis, as well as higher-quality and more advanced data (Herrmann & Datta, 2002; Laufs & Schwens, 2014a). Similarly, (Kogut & Singh, 1988) argue that greater cultural distance between an investing firm's home country and the target market increases the likelihood of choosing full-control entry modes.

This gap could potentially be bridged by having a culturally intelligent manager at the helm, who, being more informed and therefore adept at mitigating cultural risks, would be better positioned to select advanced entry modes. This is further supported by (Andrew & Witold, 2000), who claims that the foreign knowledge acquired can help reduce the liabilities of foreignness that firms often face when establishing joint ventures. Additionally, (Ang & Inkpen, 2008) suggest that individual cultural intelligence can evolve into a firm-level capability, serving as a critical factor in selecting entry modes like offshore outsourcing.
On a similar vein, (Stoian et al., 2018a) highlight that micro multinational expansion and their capacity to engage in different "*constellation and investment (C&I) modes of foreign market servicing*" (Dimitratos et al., 2003), are influenced by the tacit knowledge held by internal stakeholders. Additionally, these internal actors possess extensive network connections and knowledge of foreign markets, which significantly impact the selection of target markets for international expansion (Stoian et al., 2017). Authors (Inkpen & Beamish, 1997) suggest that this knowledge is beneficial for licensing as an entry mode, while (Altinay & Wang, 2006) argue that for franchisors, this knowledge is crucial for aligning with the unique characteristics of the foreign market. Acquisition of this knowledge further supports the international development of SMEs and facilitates their ability to enter alliances (Lu & Beamish, 2001; Al-Tabbaa & Zahoor, 2024).
This is supported by (Fernández & Nieto, 2006), who found that SMEs managed by professional managers, as opposed to family-owned SMEs, are more inclined to internationalize and prefer alliances and agreements over exports when doing so. This preference stems from the fact that family-owned firms tend to be more conservative and risk-averse in their approach to international expansion.

Therefore, we propose that owner-managers with elevated CQ are crucial internal actors whose extensive knowledge drives international development. Their advanced cultural understanding

and adaptability enable them to identify and capitalize on opportunities that require deeper engagement - such as joint ventures, licensing, franchising, alliances, or wholly-owned subsidiaries. By mitigating perceived risks and enhancing their ability to navigate negotiations, manage partnerships, and align with local norms, high-CQ owner-managers are better equipped for non-export entry modes (Tihanyi et al., 2005; Presbitero, 2016).
This suggests that SMEs led by culturally intelligent owner-managers are more likely to explore and adopt alternative entry strategies that involve greater resource commitment and integration into the host market.
We therefore propose the following hypothesis:

> ***H2:*** *Higher levels of cultural intelligence (CQ) among SME owner-managers are positively associated with the adoption of equity modes.*

Lastly, we propose that higher levels of cultural intelligence (CQ) among SME owner-managers, coupled with the adoption of advanced entry modes, will contribute to enhanced international performance. According to (Le & Kroll, 2017) managers or CEOs with substantial international experience (IE) and well-developed cultural intelligence are better equipped to identify opportunities in foreign markets, devise unique international strategies, and efficiently manage and coordinate international operations, ultimately leading to superior firm performance.

The study by (Şahin & Gürbüz, 2020), involving 206 SMEs found that higher levels of cultural intelligence in managers strengthened the positive impact of entrepreneurial orientation (EO) on international performance. This suggests that managers with elevated CQ are better equipped to leverage their EO for international success (Charoensukmongkol, 2015). Similarly, (Kadam et al., 2019), in a study involving 106 SMEs operating in multicultural environments, discovered a direct positive relationship between the CQ of SME owners and business performance. Their findings suggest that culturally intelligent managers are more capable of managing and capitalizing on cultural diversity, both within their workforce and across market environments, ultimately enhancing business performance. Moreover (Charoensukmongkol, 2015) emphasizes the importance of CQ in owner-managers in building effective international relationships with foreign customers, suppliers, and competitors. In a later study, (Charoensukmongkol, 2016) found that owners' CQ positively impacted the export performance of SMEs in Thailand, with international knowledge acquisition capability and adaptive capability serving as mediating factors.

As stated by (Ang & Inkpen, 2008), having a resource with a high level of cultural intelligence enables it to operate with a high degree of cultural intelligence. And a culturally intelligent firm will always outperform a firm that is less intelligent.

Based on these insights, the following hypothesis is proposed:

> ***H3:*** *Higher levels of cultural intelligence (CQ) among SME owner-managers are positively associated with better internationalization performance.*

In summary, we have emphasized the "halo effect" of cultural intelligence, showcasing its wide-ranging benefits for SME owner-managers in the internationalization process. From influencing entry mode decisions to expanding internationalization scope and driving enhanced performance, CQ stands out as a crucial resource for navigating the complexities of global markets. The next section will empirically test these hypotheses, offering evidence to validate the pivotal role of cultural intelligence in the international success of SMEs.

5. METHODOLOGY

5.1. Research Design and Sampling

To test the proposed hypotheses, this study employs a quantitative research methodology. Data was collected through a standardized questionnaire, serving as the primary research instrument targeted at key individuals involved in the internationalization of SMEs, such as owner-managers, CEOs, and international/export managers, among others.
We focused exclusively on companies that employ fewer than 250 individuals for the study, adhering to the European Commission's criteria for small and medium-sized enterprises, which classify micro enterprises as having fewer than 10 employees, small enterprises as having fewer than 50, and medium-sized enterprises as having fewer than 250 (European Commission, n.d.). The SMEs chosen were those known to have an international involvement.

This study used a non-probability sampling strategy that combined convenience, purposive, and snowball techniques. While convenience and snowball sampling allowed for greater access through personal, professional, and event-based networks, purposeful sampling made sure that participants were chosen based on predetermined criteria, particularly their positions as decision-makers in globally operating small and medium-sized businesses. Because people in these roles are difficult to reach and thorough random sampling lists are usually unavailable, SME research frequently uses such a purposive non-probability approach (Herrmann & Datta, 2002; Hsu et al., 2013; Laufs et al., 2016; Le & Kroll, 2017).
Although this approach restricts the generalisability of the results, efforts were made to minimise this by contacting participants from a variety of industries, such as manufacturing, technology, consulting, and services, with responses obtained from SMEs operating in Austria, Germany, Italy, United States, etc, thereby increasing the diversity of the sample. These considerations support the suitability of the sample for exploratory empirical research and align with precedents in SME internationalization studies.

5.2. Data Collection

The survey was created using Qualtrics and provided options in both English and German, allowing respondents to select their preferred language.
In accordance with GDPR regulations, the survey maintained full anonymity. No personal identification or contact information was gathered, and this was clearly outlined to participants. This method aimed to enhance their comfort level and encourage participation. As an incentive, respondents could request a summary of the key findings. Those who wished to receive the results needed to reply to the initial outreach email. The survey was structured to prevent respondents from skipping any questions, ensuring that all sections were completed before submission.
Before widespread distribution, the survey underwent a pilot test with a small group of acquaintances who had either earned a Master’s degree or were currently engaged in doctoral studies. The aim of this preliminary test was to verify the survey's readability, clarity, and overall comprehensibility. Furthermore, I had the opportunity to go through the survey in person with one of the CEOs of a German company. We reviewed it question by question, which helped me evaluate the clarity and applicability of the items and better understand how CEOs and individuals in high-level positions may comprehend and respond to the survey.

Data collection began at the beginning of May and continued until the end of July 2025. The primary means of distribution was through my personal email. Due to the challenging nature of accessing the target group - CEOs, founders, export managers, international managers, and other decision-makers - various outreach strategies were utilized.
A crucial resource was the company I worked for at the time, Proxify, which operates in multiple international markets, such as DACH, Benelux, the UK, Nordics, and the US. Using our internal database, I compiled a list of SMEs (firms with fewer than 250 employees) along with their primary contacts - typically founders or senior executives.
Secondly, personal and professional networks were utilised to distribute the survey. I contacted acquaintances employed in European SMEs - particularly in Austria and Germany - and requested that they share the questionnaire with relevant senior managers. Moreover, one acquaintance working in an importing firm disseminated the survey through her professional

network of exporting partners across Europe, which significantly expanded the reach of the study.

Simultaneously, I engaged in comprehensive outreach on LinkedIn, utilizing specific keywords like “Founder,” “CEO,” “Export Manager,” “International Manager,” “Head of International Sales,” etc., along with their German counterparts, such as “Gründer” and “Geschäftsführer,” etc. Each profile was carefully examined to confirm:

-Whether the company qualified as an SME was verified by checking the number of employees, typically through LinkedIn, the company’s website, or public directories.

-Whether the company had international operations.

After confirmation, they were either directly messaged with the survey link or sent a connection request first.

This approach also helped me establish connections with two important individuals at the WKO Export Center and Foreign Trade Department. They graciously pointed me to the WKO company directory, which includes contact information for over 1,000 Austrian businesses engaged in foreign trade. Utilizing the WKO directory and FirmenABC, I started reaching out to companies through cold calls to invite them to take part in the survey. Frequently, I ended up speaking with assistants or receptionists who promised to pass the survey request to the right person. In many instances, I was fortunate enough to speak directly with the key decision-makers, some of whom agreed to participate right away. Additionally, I connected on LinkedIn with the founder of the AustrianStartups nonprofit, who kindly offered to advertise my survey and shared a database of startup contacts.

In addition to online activities, I participated in several face-to-face events in Vienna - such as summits and exhibitions - to connect directly with companies and identify eligible participants. At each occasion, I presented myself, articulated the objective of my thesis, gathered their contact information, and then emailed them the survey link.

During the last weeks of July, I sent follow-up emails to all contacts who hadn’t given a clear response. Since the survey was anonymous and was shared from my personal email, I couldn't monitor who had finished it unless they either replied or asked for the study results. I kept a log of those who did. Furthermore, I followed up on my LinkedIn messages that had not received any replies, either by sending a polite reminder or reconnecting through new connection requests if the initial message went unanswered.

In early August, the outreach efforts led to the distribution of 760 surveys to individuals from 760 different companies.

Due to time constraints and the difficulties of accessing SME owner-managers, the survey was closed once 100 responses had been collected. Unlike studies that determine a response rate based on a predefined sampling frame, our survey was disseminated on an ongoing basis until 100 valid responses were obtained; therefore, a conventional response rate is not reported. At that stage, all questionnaires were fully completed, as participants were required to answer every item before submission, which ensured the absence of missing data. Initially, only incomplete or impartial surveys were excluded. However, during the data cleaning process, 13 additional responses were identified as containing implausible or inconsistent values on key variables and were therefore removed. This resulted in a final dataset of 87 valid cases used for the regression analyses.

While the number of responses was modest, this is in line with SMEs research addressing high-level organizational positions (such CEOs or managers), where response rates and access are inherently limited (Bigley & Wiersema, 2002; Herrmann & Datta, 2002; Laufs et al., 2016).

5.3. Measurements

The survey consisted of twenty one questions, divided into three thematic sections: eleven questions related to company details, six addressed the manager's cultural intelligence and international experience, and four covered demographic information. Each question measured a specific variable.

5.3.1. Independent Variables

Based on the hypotheses, the independent variables in this study are International Experience and Cultural Intelligence (CQ).

The foundational element in the development of Cultural Intelligence (CQ) is based on the assumption that the international experience of the owner-manager plays a crucial role. From this perspective, international experience is regarded as the foremost factor contributing to CQ, embodying the notion that owner-managers cultivate their cultural skills through firsthand interaction with foreign markets. To assess international experience, we asked two questions:

1. *Prior to assuming your current role/starting your present business, how many years did you reside and work overseas?*
2. *In how many different countries did you reside and work before assuming your current role/starting your present business?*

Years of experience abroad represent the depth, while the number of countries in which the respondent has resided or worked represents the breadth. Participants were requested to submit this information as a numerical figure. In cases where they had never lived or worked outside their home country, they were instructed to enter 0.

The items presented here are derived from established academic research (Bloodgood et al., 1996; Reuber & Fischer, 1997; Selmer, 2002; Takeuchi et al., 2005; Musteen et al., 2014; Godart et al., 2015; Le & Kroll, 2017) where they have been frequently utilized to evaluate the international experience of CEOs. Given that this study focuses on a wider array of decision-makers, including owner-managers, export managers, or others responsible for internationalization choices, the questions have been slightly adjusted to maintain relevance beyond the CEO position - referring to “your current role.”

Since its introduction, cultural intelligence has primarily been assessed using the 20-item self-report questionnaire developed by (Ang et al., 2007b). This set of 20 items collectively embodies the concept of cultural intelligence, organized into four separate dimensions:

Metacognition: This dimension is evaluated through four items that assess self-awareness regarding one's beliefs about other cultures. For instance, one item may state, "*I am aware of the cultural knowledge I apply when interacting with individuals from diverse cultural backgrounds*."

Cognition: Six items assess the understanding and knowledge of cultural differences. An example item is, "*I am knowledgeable about the norms for expressing non-verbal behaviors in various cultures*."

Motivation: This dimension measures the motivation and confidence in engaging with different cultures using five items. A sample item is, "*I take pleasure in interacting with individuals from diverse cultures*."
Behavior: Four items evaluate the capability to apply cultural knowledge in real-life scenarios. For example, "*I adjust the pace of my speech when a cross-cultural situation demands it*."
The questionnaire employs a seven-point Likert-type scale, ranging from '1=Strongly Disagree' to '7=Strongly Agree,' providing a detailed and validated assessment of cultural intelligence (Ang et al., 2007b; Turner & Merriman, 2022).

5.3.2. Dependent variables

Cultural Intelligence (CQ) serves both as an independent and a dependent variable within the conceptual framework of this study. In one aspect, CQ is regarded as an independent variable since it is theorized to affect strategic decisions related to internationalization, such as the choice of entry mode and international performance. Conversely, CQ is also viewed as a dependent variable, as it is thought to be influenced by the international experiences of the owner-manager or key decision-maker.

Entry Mode Choice and International Performance are also regarded as dependent variables, both anticipated to be positively affected by heightened levels of Cultural Intelligence (CQ). The reasoning behind this is that decision-makers with high CQ possess a better ability to evaluate and manage the complexities associated with entering foreign markets, making them more inclined to consider and adopt alternative or more advanced entry strategies beyond non-equity modes like exporting (Ang et al., 2007b; Hollender et al., 2017; Mammadov & Wald, 2025). Additionally, managers with strong cultural intelligence are believed to be more adept at addressing cross-cultural challenges, which in turn leads to enhanced internationalization outcomes regarding performance (Johnson et al., 2006; Hollender et al., 2017; Kubicek et al., 2019; Le & Kroll, 2017; P. Caligiuri & Caprar, 2023). These associations highlight the strategic importance of CQ in influencing not only how companies grow internationally but also how effectively they succeed in varied cultural environments.

For the entry mode choice question we follow (Erramilli & D'Souza, 1993; Herrmann & Datta, 2002; Brouthers & Nakos, 2004; Maekelburger et al., 2012) distinguishing between equity modes (assigned a code of 1), which encompass joint ventures, wholly owned subsidiaries, foreign branch offices, equity alliances, and acquisitions; and non-equity modes (assigned a code of 0), including exporting, franchising, licensing, and other types of contractual agreements. We inquired of the respondents which entry mode they utilized in their latest entry into a foreign market, as the most recent entry is unlikely to have occurred too long ago, thereby improving the chances that the respondents' recollections of the event will be accurate (Choo & Mazzarol, 2001; Laufs & Schwens, 2014a; Hollender et al., 2017).
Additionally, we requested that the respondents write their specific entry mode to enable us to draw conclusions regarding the prevalence of various forms between equity and non-equity modes.

Firm performance is a subjective and multifaceted concept, evaluated through three distinct indicators. Managers may have differing perceptions of success - what one defines as excellent performance, another might see as inadequate (Choo & Mazzarol, 2001). Consequently, utilizing various metrics offers a more dependable and thorough evaluation of international performance. As a result, the performance of the firm was evaluated through three questions that represent commonly used measures in previous studies.

1. *How would you rate the general performance of your most recent foreign market entry during its initial years?*
2. *Please indicate the sales growth rate of your firm's most recent foreign market entry during the initial years.*
3. *Was your firm's most recent foreign market entry profitable in its initial years?*

Participants were asked to reflect on a period of 3 to 5 years.
The first and third measures were based on subjective criteria. We opted for subjective performance metrics because they were not only more feasible but also more likely to generate responses. Prior studies have indicated a strong correlation between subjective and objective performance measures (Dess & Robinson, 1984; Glaister & Buckley, 1998; Brouthers & Nakos, 2004).

Senior management, our intended respondents, might be hesitant to share objective performance figures due to confidentiality concerns or may not have the time to gather such information (Nakos & Brouthers, 2002). Asking for objective data could potentially raise the survey drop-out rate. For these reasons, we determined that employing subjective measures and categorical responses was the most practical and dependable method.

General performance was assessed based on the respondents' satisfaction with their firm's achievements, including factors like sales volume, growth in sales, profitability, market share, and marketing efforts. Participants rated the performance of the entry mode used for their latest foreign market entry on a scale from 1 to 10 (1 = unsuccessful, 10 = successful). In the third measure, respondents expressed their views on profitability with a simple “Yes” or “No” answer (S. T. Cavusgil & Zou, 1994; Crick & Jones, 2000; Brouthers & Nakos, 2004).

In comparison, the second metric - sales growth - was a somewhat objective measure. Participants were requested to indicate the sales growth rate of their latest foreign market entry in its early years, selecting from categories that spanned from “negative growth” to “over 20% growth” (Moini, 1995; Bloodgood et al., 1996).

5.3.3. Control Variables

To consider alternative explanations and to separate the effects of the independent variables, various firm-level and manager-level characteristics were included as control variables in the regression analyses. At the firm level, the controls consisted of firm size (micro, small, medium) quantified by the number of employees (Nakos & Brouthers, 2002; Le & Kroll, 2017).

Research has indicated that firm size can impact the internationalization behavior of firms, influencing both their strategic decisions and their ability to achieve performance outcomes (Zhang & Rajagopalan, 2010).

Furthermore, the age of the firm was measured using years in operation in total (Zahra & Hitt, 2000), the internationalization scope as the number of countries where the firm operates and years in international business (Kogut & Singh, 1988; Laufs & Schwens, 2014b; Zahra & Hitt, 2000), the industry (Kogut & Singh, 1988; Nakos & Brouthers, 2002), and the home country, distinguishing between Austria, Germany, Switzerland, or others. At the managerial level, control variables encompassed educational attainment (highest level of education achieved), age, and gender. The inclusion of these factors is theoretically supported, as earlier studies suggest that certain firm attributes like size, age, and scope can affect both the choice of entry mode and performance in internationalization, while manager demographics and education could impact cultural intelligence and strategic decision-making.

5.4. Data Preparation

The data analysis was conducted using SPSS. Prior to the main analysis, the dataset was carefully screened for completeness and quality. Although all 100 respondents were required to complete the full survey and could not skip items, the content of several responses proved inconsistent or implausible once the data were examined. Examples included SMEs reporting operations in over 200 countries, claiming more than 200 years of experience, or managers indicating residence in 20+ countries within a five-year period. Such values were treated as system-missing for the relevant variable to preserve as much usable data as possible.
Despite these adjustments, 13 responses were ultimately excluded because they contained implausible or incomplete information on key variables, leaving a final sample of 87 valid cases for the regression analyses. Although this figure is marginally below the initially targeted 100 responses, it remains adequate for the regression models applied.
For coding consistency, all placeholder values generated during survey export (e.g., “-99” for blank “Other, please specify” options) were recorded as system-missing (.) in SPSS. This ensured that such entries did not interfere with the statistical analyses.

To maintain uniformity and precision in the dataset, every categorical response was standardized. For instance, discrepancies in spelling or terminology for the same country name (e.g., Nederlande, Netherland) were unified under a single consistent label (Netherlands). Furthermore, when participants chose "Other" and specified a country that was already included as a predefined option (e.g., opting for "Other" and typing Austria), the answer was recorded to the appropriate predefined category (Austria). These modifications ensured that all similar responses were consolidated during analysis, avoiding any artificial division of categories.

The data was also refined by eliminating the "Other" options that respondents did not select. For instance, "Other" in the "Position in the company" and "Other" in Gender. These adjustments were done to minimize the number of dummy categories that would be needed in the future.
Given that we conducted two surveys in different languages, we combined them into one prior to beginning the analysis.

All relevant tables and figures are included within the main chapters. However, to maintain transparency and replicability, the complete questionnaire used for data collection is provided in Appendix.

5.5. Analysis and Hypothesis Testing

Table 1 and 2 present the frequencies and descriptive statistics of the sample.

The sample included 52% companies from Austria, 11% from Italy, 8% from Germany, 4% from Switzerland, and 25% from other nations such as Spain, the Netherlands, Croatia, etc. This distribution suggests that Austrian firms are somewhat overrepresented in comparison to those from other countries in the sample, which may have implications for the generalizability of the results. Although this composition generally reflects the study's initial emphasis on Austrian firms and the DACH region, including other countries was necessary due to a lower-than-expected response rate from the target demographic.
Concerning firm size, 48% were categorized as medium-sized (with 50–249 employees), 33% as micro-sized (with 1–9 employees), and 19% as small-sized (with 10–49 employees). This breakdown suggests the findings may better reflect the traits and behaviors of larger SMEs, making them more generalizable to medium and micro firms than to small-sized ones.
When it comes to firm age, 74% of the firms in the sample had been operational for over 10 years, 25% had been in business for less than 10 years, and only 1% had been established for under one year.
In terms of industry classification, 39% of firms were in manufacturing, 31% were involved in wholesale and retail, and 9% were in the information and technology sector, while the

remaining 21% operated in other industries such as hospitality, construction, and information technology, among others.

Regarding entry mode, 76% of firms indicated that they primarily utilized non-equity methods as their latest and most frequent form of international market entry, whereas 24% reported using equity modes. When asked to identify the type of entry mode, 59% cited exporting, 7% mentioned wholly owned subsidiaries (WOS), and approximately 13% were involved in acquisitions or joint ventures. Other entry modes referenced included project-based operations, licensing, and a variety of agreements.

The sampled companies operated in an average of 18.16 countries (SD = 21.35), demonstrating significant differences in their global market engagement. On average, these firms had been involved in foreign business for 18.36 years (SD = 14.60), covering a period from 0 to 55 years.

A key aspect of the study was understanding the profiles of the respondents, as the survey primarily targeted owners or managers. In reality, 42% of the respondents were international or export managers, 29% were owners or founders, 17% held operational management roles such as head of sales, and 12% were CEOs or managing directors. The distribution suggests that, although a considerable number of responses were provided by high-level decision-makers, a noteworthy portion also originated from managers actively engaged in international operations, likely enhancing the data with practical insights.

In terms of demographics, 63% of participants fell within the age range of 35 to 54 years, while 21% were aged 24 to 34, and 12% belonged to the 55 to 64 age group. The higher representation of mid-career professionals indicates that the results primarily reflect the views of seasoned individuals rather than those who are at the beginning or nearing the end of their careers. When considering gender, 79% of participants identified as male and 21% as female, highlighting the male-centric leadership structure commonly found in small and medium enterprises (SMEs). The level of education among respondents was notably high, with 51% having earned a master's degree and 28% a bachelor's degree, suggesting that the participants generally have a strong academic background that may impact their strategic choices and approaches to internationalization.

About their international experience, participants indicated they had worked and resided in an average of 1.15 countries (SD = 1.55) for an average duration of 2.83 years (SD = 4.60). Regarding international performance, measured on a scale from “unsuccessful” to “successful”, 25% of companies considered their performance to be good, 23% rated it as very good, and 13% labeled it as successful, with merely 3% categorizing it as unsuccessful. When asked to rate their international performance on a scale of 1 to 10, companies provided an average score of 6.92 (SD = 2.27), indicating that most rated their performance as good or very good. This distribution implies that the majority of companies view their international activities in a favorable light, with only a few expressing any level of dissatisfaction.
These views correspond with reported performance in international sales, where 26% of firms stated they had experienced over 20% growth in sales - the highest tier - while 21% reported growth within the range of 6-10%. Just 1% faced negative growth, suggesting that most respondents have achieved at least a modest level of expansion in global markets.
Profitability was assessed through a subjective inquiry regarding whether their most recent international entry method was profitable, with 85% affirming that it was, whereas 15% indicated it was not. This significant proportion of perceived profitability further supports the generally optimistic performance perspective among the firms.

The Cultural Intelligence (CQ) scores reveal that participants typically exhibit moderate to high levels across all four dimensions. Metacognitive CQ achieved the highest average score (M = 5.76, SD = 0.78), indicating that individuals are quite aware and thoughtful in intercultural circumstances. Motivational CQ also received a strong score (M = 5.67, SD = 0.79), suggesting a robust drive and interest in engaging with cultural diversity. Behavioral CQ recorded a slightly lower average (M = 5.02, SD = 0.91), signifying greater variability in respondents’ capacity to adjust their behavior during intercultural interactions. Cognitive CQ had the lowest average score (M = 4.49, SD = 0.81), highlighting a more restricted understanding of cultural norms and practices.

Table 1. Frequencies of the Dataset

Variable	n	%
Home country		
– Austria	52	52%
– Germany	8	8%
– Italy	11	11%
– Other	29	29%
Firm size		
– Micro (1–9)	33	33%
– Small (10–49)	19	19%
– Medium (50–249)	48	48%
Firm age (years)		
– Less than 1 year	1	1%
– 1–3 years	8	8%
– 4–6 years	7	7%
– 7–10 years	10	10%
– Over 10 years	74	74%
Firm Industry		
– Information Technology and Software Development	9	9%
– Manufacturing	39	39%
– Wholesale and Retail Trade	31	31%
- Other	21	21%
Mode of Entry		
– Non-equity entry mode (e.g., exporting, franchising, licensing, contractual agreements)	76	76%
– Equity entry mode (e.g., joint ventures, wholly owned subsidiaries, foreign branch offices, equity alliances, acquisition	24	24%
Mode of Entry - specified		
– Export	59	59%
– Joint Venture	8	8%
– Wholly Owed Subsidiary	7	7%
– Acquisition, Contractual Agreements, Distribution Agreements, Licencing, Project-based operations	26	26%

Position in the firm		
– Owner–Manager	29	29%
– CEO/Managing Director	12	12%
– Export/International Manager	42	42%
– Operations Manager	17	17%
Age		
– 18–24	1	1%
– 25–34	21	21%
– 35–44	33	33%
– 45–54	30	30%
– 55–64	12	12%
– 65 or older	3	3%
Gender		
– Male	79	79%
– Female	21	21%
Education		
– Primary/elementary education	1	1%
– High school	19	19%
– Bachelor's degree	28	28%
– Master’s degree	51	51%
– Doctorate	1	1%
International General Performance		
– Unsuccessful	3	3%
– Very low performance	4	4%
– Low performance	3	3%
– Below average performance	3	3%
– Average performance	12	12%
– Slightly above average performance	5	5%
– Good performance	25	25%
– Very good performance	23	23%
– High performance	9	9%

– Successful	13	13%
International Sales Performance		
– Negative growth	1	1%
– No growth (0%)	12	12%
– 1–5%	16	16%
– 6–10%	21	21%
– 11–15%	14	14%
– 16–20%	10	10%
– Over 20%	26	26%
Profitability		
– Yes - Profitable	85	85%
– No - Not Profitable	15	15%

Table 2. Descriptive Statistics of the Dataset

Variable	Min	Max	Mean	SD
Number of countries where firm is active	1	90	18.16	21.354
Years in foreign business	0	55	18.36	14.595
International experience (countries) - breadth	0	7	1.15	1.546
International experience (years) - depth	0	30	2.83	4.601
Metacognitive CQ composite	4	7	5.76	0.781
Cognitive CQ composite	2	6.5	4.49	0.815
Motivational CQ composite	4	7	5.67	0.791
Behavioral CQ composite	2.4	7	5.02	0.910
CQ composite	4	6.57	5.23	0.610

H1: International experience → CQ

The internal consistency of international experience and cultural intelligence (CQ) was evaluated using Cronbach’s alpha (refer to Table 3). International experience, as determined by breadth (the number of countries one has lived or worked in) and depth (the years spent abroad), produced an alpha of .66. Although this figure is slightly below the usual .70

threshold, it is acceptable considering the scale only has two items and the strong correlation between breadth and depth ($r = .82$, $p < .001$). Additionally, since international experience is captured through objective measures rather than attitudinal or perceptual items, concerns about internal consistency are somewhat mitigated. Therefore, the two indicators were standardized and combined into a composite index, consistent with previous research.

CQ was assessed through its four dimensions: metacognitive, cognitive, motivational, and behavioral. The reliability of each dimension was tested using Cronbach's alpha, revealing acceptable to excellent levels of internal consistency ($\alpha = .751$ for Metacognitive CQ, $\alpha = .758$ for Cognitive CQ, $\alpha = .797$ for Motivational CQ, and $\alpha = .799$ for Behavioral CQ). The overall 20-item CQ composite demonstrated excellent reliability ($\alpha = .871$), surpassing the widely accepted 0.70 threshold in social science research. Consequently, the four dimensions were standardized and merged into a single composite index of CQ, aligning with the theoretical framework.

Table 3. Reliability of IE and CQ (Cronbach's α) and inter-item correlation of IE

Scale	No. of items	Cronbach's α	Inter-item correlation
International Experience (breadth +depth)	2	0.66	.82**
Metacognitive CQ	4	0.75	—
Cognitive CQ	6	0.76	—
Motivational CQ	5	0.80	—
Behavioral CQ	5	0.80	—
Cultural Intelligence (overall)	20	0.87	—

Note. *N = 87.* ***p*** *< .001 for the inter-item correlation of International Experience.*

Since Hypothesis 1 predicts a linear relationship between managers' international experience and their level of cultural intelligence (CQ), we tested this using regression analysis, with international experience as the independent variable and CQ as the dependent variable.
In **Model 1** (excluding controls), international experience proved to be a positive and statistically significant predictor of CQ ($\beta = .23$, $p = .023$). This model explained 5.1% of the variance in CQ, with $R^2 = .051$, $F(1, 98) = 5.32$, $p = .023$, indicating that increased

international experience correlates with higher levels of cultural intelligence among owner-managers of small and medium-sized enterprises (SMEs).
These findings provide empirical support for H1 in the uncontrolled model, confirming that greater international experience is associated with higher cultural intelligence among SME owner-managers.

International experience was understood as prior exposure before taking on a role. Consequently, the characteristics of the current employer at the firm level were not included as controls in the main analyses to prevent excessive control for post-treatment variables.
Instead, **Model 2** adjusted solely for manager-level demographics (age, gender, and education). Dummy variables were created for nominal categories.
When controls were incorporated in Model 2 of the multiple regression, the effect of international experience remained positive but was no longer statistically significant ($\beta = .19$, $p = .117$). None of the demographic controls were significant predictors of CQ. The overall model fit improved only slightly ($R^2 = .109$).
Furthermore, the Variance Inflation Factor (VIF) values were all below 2, indicating that multicollinearity was not a concern in the models.

Collectively, these results provide partial support for Hypothesis 1: while international experience significantly predicts CQ in the uncontrolled model, the relationship weakens and loses significance when demographic controls are added, suggesting that the relationship is not independent of other relevant individual characteristics.

Table 4. Multiple Regression Predicting Cultural Intelligence (CQ) from International Experience and Controls

Predictor	B	SE	β	t	p	VIF
Model 1						
Constant	5.23	0.06	—	86.65	<.001	—
International Experience	0.15	0.06	0.23*	2.31	0.023	1.00
Model 2						
Constant	5.06	0.22	—	22.64	< .001	—
International Experience	0.12	0.08	0.19	1.58	0.117	1.49
Age	0.01	0.06	0.02	0.16	0.873	1.20
Female (ref: Male)	–0.14	0.15	–0.09	–0.90	0.373	1.04
Education – Primary (ref: Bachelor's)	–0.19	0.62	–0.03	–0.31	0.756	1.05
Education – High school	0.32	0.20	0.20	1.60	0.112	1.63
Education – Master's	0.19	0.14	0.16	1.35	0.182	1.40
Education – Doctorate	0.95	0.69	0.15	1.37	0.173	1.30
Model statistics						
R^2						.051 (M1), .109 (M2)
Adjusted R^2						.042 (M1), .041 (M2)
F(df)						F(1, 98) = 5.32, p = .023 (M1) F(7, 92) = 1.61, p = .143 (M2)

Note. *Unstandardized coefficients (B) are reported with standard errors (SE) in parentheses. β = standardized coefficients. VIF = variance inflation factor. Reference categories are male (gender), bachelor's degree (education), and owner-manager (position).*
**p < .05, **p < .01, ***p < .001*

H2: CQ → Entry Mode Choice

Our second hypothesis suggests that greater Cultural Intelligence (CQ) enhances the probability of selecting an equity entry mode. To evaluate this, we run a binary logistic regression model since the dependent variable - choice of foreign market entry mode - is binary: 1 = equity (such as joint ventures, wholly owned subsidiaries, equity alliances, acquisitions) and 0 = non-equity (including exporting, franchising, licensing, contracts). **Model 1** investigated the impact of Cultural Intelligence on the likelihood of choosing an equity entry mode (versus a non-equity entry mode) without incorporating control variables. The model was not significant (B=0.072, OR=1.07, p=.859), indicating that Cultural Intelligence did not significantly predict entry mode choice and that higher levels of CQ did not increase the odds of selecting an equity mode over a non-equity mode.

Model 2 included additional control variables such as home country, firm age and size, industry, internationalization scope (number of countries in which the firm operates), international experience (duration of time in foreign business), and manager-related demographics (age, position, education and gender). Categorical controls were transformed into dummy variables, coded as 1 for the relevant category and 0 for all others.
The overall model did not show significance. CQ remained a non-significant predictor of entry mode choice (B=0.233, OR=1.26, p=.621). Firm size emerged as the only significant factor, with medium-sized firms being about six times more likely to select equity modes than others (B=1.829, OR=6.23, p=.012). All other controls were non-significant (ps $\geq$ .105).
Overall, across both models, CQ does not influence the choice of entry mode; thus, H2 is not validated. The findings imply that variations in entry mode are more effectively explained by firm size, with medium-sized firms preferring equity modes over others, rather than the levels of CQ possessed by managers.

Table 5. Hierarchical logistic regression predicting equity entry mode from Cultural Intelligence (CQ)

Predictor	B (SE)	OR [95% CI]	p
Model 1			
Constant	−1.583 (2.127)	0.21	0.457
Cultural Intelligence (CQ)	0.072 (0.405)	1.07 [0.49, 2.38]	0.859
Model fit			
−2 Log Likelihood	93.779		
Cox & Snell R^2 / Nagelkerke R^2	.000 / .001		
Omnibus χ^2 (df), p	0.031 (1), .859		
Hosmer–Lemeshow χ^2 (df), p	6.069 (8), .639		
N (listwise)	87		
Model 2			
Constant	−3.423 (2.518)	0.03	0.174
Cultural Intelligence (CQ)	0.233 (0.470)	1.26 [0.50, 3.17]	0.621
Home country: Austria (=1)	0.346 (0.607)	1.41 [0.43, 4.65]	0.569
Firm size: Medium (=1)	1.829 (0.725)	6.23 [1.50, 25.82]	0.012**
Firm age: >10 years (=1)	−0.447 (0.819)	0.64 [0.13, 3.19]	0.586
Industry: Manufacturing (=1)	−0.688 (0.690)	0.50 [0.13, 1.94]	0.319
Manager age: 35–44 (=1)	−1.130 (0.696)	0.32 [0.08, 1.27]	0.105
International scope (no. countries where active)	−0.027 (0.019)	0.97 [0.94, 1.01]	0.169
Years in foreign business (int. experience)	0.018 (0.025)	1.02 [0.97, 1.07]	0.467
Position: Export/International Manager (=1)	−0.052 (0.692)	0.95 [0.25, 3.68]	0.940
Education: Master’s degree (=1)	0.048 (0.571)	1.05 [0.34, 3.21]	0.933
Gender: Male (=1)	1.000 (0.870)	2.72 [0.49, 14.95]	0.250
Model fit			
−2 Log Likelihood	81.666		
Cox & Snell R^2 / Nagelkerke R^2	.130 / .197		
Omnibus χ^2 (df), p	12.143 (11), .353		
Hosmer–Lemeshow χ^2 (df), p	5.691 (8), .682		
N (listwise)	87		

Notes. *Dummies coded 1 = focal category; 0 = otherwise. Only* ***Medium firm size*** *is a significant predictor in Model 2 (p < .05).*

H3: CQ → Internationalization Performance

We initially defined internationalization performance using three indicators that pertain to the first 3–5 years following the most recent market entry: (i) an overall performance rating on a scale from 1 to 10, (ii) sales growth categorized as negative growth greater than 20%, and (iii) a binary measure of profitability (yes/no). A reliability assessment treating these three indicators as a combined scale yielded a Cronbach's α of .631 ($N = 87$). The profitability indicator exhibited weak performance (corrected item–total $r = .335$; correlations with the other two indicators were $r = .307$ and $r = .274$). Upon removing the profitability measure, the internal consistency increased to $\alpha = .674$ for the two 10-point indicators, with their inter-item correlation being $r = .508$ (for a two-item scale, $\alpha = 2r/(1+r) = .674$). The conceptual drop is also justified as profitability is dichotomous while the remaining two indicators are continuous, and combining different formats reduces reliability. Consequently, we established our International Success index by calculating the average of the standardized scores for general performance and sales growth, where higher scores signal greater success.

To evaluate H3 - which posits that higher Cultural Intelligence (CQ) enhances internationalization success - we performed a hierarchical linear regression analysis.

In **Model 1** without controls, CQ was found to be positive but not statistically significant ($B=0.160$, $\beta=.118$, $p=.276$). In **Model 2**, after incorporating control variables such as home country, firm age and size, industry, internationalization scope (number of countries in which the firm operates), international experience (duration of time in foreign business), and manager-related demographics (age, position, education and gender), CQ continued to be non-significant ($B=0.097$, $\beta=.071$, $p=.522$). Therefore, H3 is not supported.

Among the control variables, firm size (Medium) emerged as a significant positive predictor ($B=0.517$, $\beta=.301$, $p=.023$), suggesting that medium-sized firms report greater success than others while keeping covariates constant. All other control variables were non-significant (all $ps \geq .10$), with two showing merely directional trends (greater numbers of active countries: $\beta=.203$, $p=.118$; manager age 35–44: $\beta=-.177$, $p=.120$).

Table 6. Hierarchical Linear Regression predicting Internationalization success from Cultural Intelligence (CQ)

Predictor	B (SE)	β	p
Model 1			
Constant	−0.919 (0.765)	—	0.233
Cultural Intelligence (CQ)	0.160 (0.146)	0.12	0.276
Model fit			
R^2 / Adj. R^2	.014 / .002		
F(1, 85)	1.2		0.276
N (listwise)	87		
Model 2			
Constant	−0.833 (0.781)	—	0.289
Cultural Intelligence (CQ)	0.097 (0.151)	0.07	0.522
Home country: Austria (=1)	0.151 (0.192)	0.09	0.434
Firm size: Medium (=1)	0.517 (0.222)	0.30	0.023*
Firm age: >10 yrs (=1)	0.208 (0.260)	0.11	0.427
Industry: Manufacturing (=1)	−0.130 (0.212)	−.072	0.542
Manager age: 35–44 (=1)	−0.333 (0.211)	−.177	0.120
Position: Export/Intl manager (=1)	−0.012 (0.226)	−.006	0.959
Education: Master's (=1)	−0.051 (0.181)	−.030	0.777
Gender: Male (=1)	−0.109 (0.230)	−.052	0.635
International scope (no. countries)	0.008 (0.005)	0.20	0.118
Years in foreign business	−0.006 (0.008)	−.099	0.465
Model fit			
R^2 / Adj. R^2	.199 / .081		
ΔR^2 (vs. M1)	0.185		
F(11, 75)	1.69		0.092
N (listwise)	87		

Notes: *DV = International Success index (mean of z-scored general performance & sales growth). Dummies coded 1 = focal category. VIFs 1.06–1.74 (no multicollinearity).*

6. DISCUSSION

Previous studies emphasise that senior executives and their cognitive capabilities are crucial in starting, influencing, and implementing the organization's internationalization strategies (Herrmann & Datta, 2002; Nakos & Brouthers, 2002; Laufs et al., 2016). Building on this perspective and Upper Echelons Theory (Hambrick & Mason, 1984), this study investigated whether SME managers' international experience influences the development of cultural intelligence (CQ) and whether CQ then affects two important internationalization outcomes: (i) the selection of equity-based entry modes and (ii) early international performance.
The discussion that follows aims to critically interpret these findings by combining theory and empirical data, assessing the degree to which data patterns validate preexisting hypotheses, and emphasising instances in which this study provides fresh theoretical understanding, especially when anticipated relationships were not verified.

Although previous research has consistently positioned international experience as a key driver of cultural intelligence (Ang et al., 2007b; Thomas, 2006; Crowne, 2013; Engle & Nash, 2016; Iskhakova et al., 2022; P. Caligiuri & Caprar, 2023; Morin & Talbot, 2024), our findings suggest that this relationship may be more conditional and context-dependent than traditionally assumed. Regression analysis initially showed a positive and statistically significant association between IE and CQ ($\beta \approx .23$, $p \approx .023$), yet once demographic and educational variables were controlled for, significance was lost ($\beta \approx .19$, $p \approx .117$). This indicates that international experience may contribute to CQ development, but not as a standalone predictor; rather, it may only translate into CQ when accompanied by reflective processes, individual learning orientation, or sufficient autonomy to interpret and integrate cross-cultural experiences. This aligns with Experiential Learning Theory (Miettinen, 2000; Kurpis & Hunter, 2017) and supports arguments that structured learning mechanisms and role-specific challenges may compensate for limited mobility (Michailova & Ott, 2018). Furthermore, while our assessment of international experience was limited to prior exposure leading up to the present managerial position, (Takeuchi et al., 2005) suggest that experiences gained in the current role may also play an active role in the evolution of cross-cultural capabilities. Roles such as international or export manager inherently require cross-cultural interaction and strategic decision-making, meaning that ongoing responsibilities - not only past exposure - may be central to CQ development.

Additionally, while our findings support the concept of learning through experience, a cross-sectional design does not allow for a definitive establishment of causality and the possibility of selection bias cannot be dismissed - managers with inherently higher CQ may be more likely to be chosen for or seek international roles, reinforcing the idea of a reciprocal rather than purely causal relationship (Schlaegel et al., 2021; Morin & Talbot, 2024; Chédru & Ostapchuk, 2025). This suggests that CQ may be better understood as a cognitive capability rather than a passive outcome of exposure, dependent not on the amount of international experience but on how experience is processed, reflected upon, and embedded in managerial cognition. Consequently, our findings contribute to theory by shifting the focus from "*where managers have been*" toward "*how they make sense of what they encounter*." Future research could therefore examine under which psychological, organizational, or learning conditions international experience becomes developmentally meaningful, and whether certain managerial traits - such as openness, reflective capacity, or international strategy involvement - function as moderators in the IE - CQ relationship.

Although theoretical perspectives suggest that managers with higher cultural intelligence (CQ) should be better able to assess cultural risks, engage with local partners, and thus reduce uncertainty when committing to equity-based modes (Reuber & Fischer, 1997; Daily et al., 2000; Kirca et al., 2012; Nowiński & Rialp, 2013; Mammadov & Wald, 2025), our findings did not support this expectation.

The regression results showed no significant effect of CQ on equity mode selection, with ($B \approx .23$, $p \approx .62$) or without control variables ($B \approx .07$, $p \approx .86$).

Instead, firm size emerged as the only consistent predictor: medium-sized SMEs were roughly six times more likely to select equity modes compared to smaller firms ($OR \approx 6.3$, 95% $CI \approx [1.6, 25.4]$, $p \approx .01$).

This suggests that while CQ may provide managers with the skills to navigate cultural complexities, entry-mode choice remains fundamentally constrained by organizational capacity (Kadam et al., 2019; Da Silva et al., 2024). In other words, CQ may be a necessary but insufficient condition for equity entry: without adequate financial and managerial depth, SMEs may remain unable to translate CQ into high-commitment strategic action (Brush et al., 2002; Sharma & Erramilli, 2004; P. Kim et al., 2013).

Moreover, since entry-mode choice is typically determined at the outset of internationalization and shaped by structural and financial constraints, this may also account for the timing of CQ's effects. Rather than shaping the initial mode choice, CQ may prove more salient in subsequent stages of internationalization, including post-entry integration, partner negotiations, knowledge sharing, and the firm's embeddedness in the host country (Imai & Gelfand, 2010; Beugelsdijk et al., 2018; Stoermer et al., 2021; Skhiri et al., 2025).

A further consideration is risk perception. While CQ enhances managers' ability to interpret cultural cues, it may not directly reduce the perceived financial and operational risks associated with equity commitments (Sanchez-Peinado & Pla-Barber, 2006; Ahsan & Musteen, 2011; Wooster et al., 2015; Şahin & Gürbüz, 2020). SMEs may therefore default to lower-commitment modes, regardless of managerial CQ, when uncertainty about resource sufficiency remains high (Laufs & Schwens, 2014a).

Methodological factors likely contributed as well: a large share of respondents were export managers (42%), potentially biasing results toward non-equity modes, and our binary entry-mode variable, while theoretically consistent, may have obscured nuance between joint ventures, acquisitions, licensing, and other strategic options. Thus, although the hypothesis was not supported, the findings contribute to literature by indicating that individual-level cultural capabilities may only influence strategic mode choice when aligned with organizational capacity and timing (P. Kim et al., 2013). More importantly, the results challenge the common assumption that cultural competence directly leads to higher-commitment market entry (Nielsen & Nielsen, 2011; Laufs & Schwens, 2014b). Instead, they suggest that CQ may be a contingent capability - valuable only when SMEs possess the resources, strategic mandate, and operational flexibility to act upon it. This positions CQ not as a direct driver of internationalization, but as a latent enabler whose effect may depend on the stage of internationalization, organizational readiness, and the decision autonomy afforded to managers (Egwuonwu et al., 2022). Such insights invite a reconsideration of existing theory and highlight the need for models that integrate both cognitive/individual capabilities and firm-level constraints when explaining strategic internationalization choices (Niittymies & Pajunen, 2020; Child et al., 2022; Munteanu et al., 2023).

While prior studies suggest that higher cultural intelligence (CQ) enables SME owner-managers to identify opportunities, design international strategies, and coordinate cross-border operations effectively - thereby enhancing performance (Le & Kroll, 2017; Kadam et al., 2019; Şahin & Gürbüz, 2020; Charoensukmongkol, 2021), our results did not confirm this assumption.

Using a two-item success index, CQ showed no significant effect on early post-entry performance. The baseline model with CQ alone was not significant ($B=0.160$, $\beta=.118$, $p=.276$), and even when controls were added, the model only approached significance ($B=0.097$, $\beta=.071$, $p=.522$). In contrast, firm size again emerged as a consistent and significant predictor, with medium-sized SMEs outperforming smaller firms.

This divergence from earlier findings may be explained by several factors.

First, our performance measure captured early outcomes within the first 3–5 years of foreign market entry. It is plausible that CQ exerts its influence more indirectly or over longer horizons - by shaping relational quality, trust-building, or knowledge transfer - rather than yielding immediate performance gains (Berraies, 2019; Afsar et al., 2021; Cortes & Ooi, 2023). Second, resource-based arguments suggest that organizational capacity may overshadow individual capabilities in determining short-term international performance. In this view, CQ may only translate into measurable outcomes when supported by adequate financial and managerial resources (Sharma & Erramilli, 2004). For SMEs in particular, external constraints such as limited bargaining power, dependence on partners, or liability of smallness may dampen the potential for CQ to directly drive superior international performance, even when managers are highly culturally intelligent (Ulvenblad & Barth, 2021).

Another possible explanation lies in the complexity of international performance itself. Performance is a multidimensional construct that encompasses not only financial indicators but also strategic, learning, and reputational outcomes (Zahra & Hitt, 2000). CQ may initially contribute more strongly to these non-financial dimensions, such as building legitimacy in foreign markets, fostering adaptability, or facilitating organizational learning, which in turn may only translate into measurable financial performance over time (Hult et al., 2008; A. S. Chen et al., 2011; Y.-H. Lin et al., 2021). This suggests that our operationalization of performance may not have fully captured the domains where CQ's impact is most immediate. Finally, methodological constraints such as the small sample size and reliance on self-reported performance measures may have limited the detection of subtler effects.

Thus, although H3 was not supported, these findings contribute to literature by highlighting that CQ may play a contingent and temporally lagged role in SME international performance - one that likely depends on the interaction between individual capabilities, organizational capacity, and the specific phase of internationalization.

7. LIMITATION

This research should be interpreted considering its limitations.

A notable limitation of this research is the potential for common method and same-respondent bias, as both the independent and dependent variables were obtained through self-reported survey data from the same participants, which could have exaggerated certain relationships.

To mitigate same-respondent bias, the survey design was thoroughly evaluated. It was completely anonymous, which helps reduce social desirability bias. Additionally, various measurement scales were utilized to minimize response patterns: for instance, 7-point and 10-point Likert scales, ordinal categorical scales, binary yes/no questions, etc. Moreover, the questions regarding independent and dependent variables were organized into different sections of the survey to reduce cognitive linking by respondents.

Despite implementing strategies to mitigate common method bias, the nature of the dependent variables in this research suggests varying levels of risk.

The choice of entry mode serves as an objective and factual measure, making it less susceptible to perceptual distortion (Erramilli & D'Souza, 1993; Herrmann & Datta, 2002; Brouthers & Nakos, 2004; Maekelburger et al., 2012).

International performance was assessed using two indicators: sales growth, which is somewhat objective and therefore less prone to bias, and general performance, which is based on managerial satisfaction ratings and is more subjective in nature (S. T. Cavusgil & Zou, 1994; Crick & Jones, 2000; Brouthers & Nakos, 2004). The highest risk of bias is associated with the cultural intelligence (CQ) construct, as it relies entirely on self-reported data and reflects managers' perceptions of their own capabilities, which may be affected by tendencies to overestimate, conform to social expectations, or exhibit individual response biases (Michailova & Ott, 2018). It is therefore recommended that future research evolve the measurement of CQ by incorporating both self-reported and peer-reported assessments.

While these potential biases are recognized, the integration of both objective and subjective indicators enhances the overall reliability of the study (Herrmann & Datta, 2002).
To evaluate the potential for common method bias (CMB), Harman's single-factor test was conducted through an exploratory factor analysis where all measurement items were included at the same time. The unrotated factor analysis indicated that the primary factor explained 24.9% of the variance, which is considerably below the generally accepted cutoff of 50%. Additionally, seven other factors with eigenvalues exceeding one were identified, showing that the variance was spread out across multiple dimensions instead of being concentrated in a single factor. These findings imply that common method bias is unlikely to significantly threaten the validity of the results in this study.

The generalizability of the study presents an additional limitation. The results might reflect qualities specific to the sample and the measurement tools used, rather than more widely applicable patterns. For example, firms from Austria make up 52% of the sample, indicating a possible overrepresentation of this particular national context, while medium-sized enterprises constitute 48%, which could skew the findings towards the characteristics of this subgroup. Additionally, a significant portion of respondents (42%) were international or export managers, which may have influenced the results in favor of export-oriented entry modes. Therefore, the conclusions should be regarded with caution when applied to SMEs pursuing equity-based strategies such as joint ventures, wholly owned subsidiaries, or acquisitions.
To overcome this limitation, future studies could use larger and more diverse samples of SMEs from various countries, sizes, and sectors, and also adopt different measurement methods to confirm and expand upon the current findings. Future research might address this issue by ensuring a more balanced representation of managers across different entry modes, which would allow for stronger comparisons between equity and non-equity strategies. Furthermore,

upcoming studies could incorporate a broader range of stakeholder perspectives, such as those of clients and employees, to gain a deeper understanding of how different parties affect the decision-making process of SMEs concerning the selection of market entry modes (Mammadov & Wald, 2025).
This research is also cross-sectional in nature, which may result in only a snapshot of internationalization being captured.

Even though this study utilized well-established and validated measures for key variables, there may have been limitations in the scope of these measures. Specifically, international experience was evaluated exclusively based on prior exposure gained before the current position. This approach adhered to the theoretical assumption that managers entering SME roles are influenced by their earlier international experiences. However, experiences gained during the current role could also enhance cultural intelligence and subsequently affect entry mode decisions and overall performance.
Future research could therefore benefit from examining both prior and current-role international experience for a more dynamic and nuanced understanding of how managerial backgrounds influence internationalization outcomes (Takeuchi et al., 2005). Additionally, subsequent studies might expand existing measures by integrating further dimensions of international exposure to more comprehensively capture its complex and multifaceted nature.

A similar restriction pertains to the categorization of entry modes into two broad categories: equity and non-equity. While this classification is validated and commonly utilized in previous research, it inevitably simplifies the complexity of entry mode strategies into a binary classification (Erramilli & D'Souza, 1993; Herrmann & Datta, 2002; Brouthers & Nakos, 2004; Maekelburger et al., 2012). To address this limitation, our survey included an open-ended item that permitted respondents to specify their specific entry mode (e.g., joint ventures, acquisitions, licensing), yielding valuable qualitative insights into the strategies used. Nevertheless, these responses were gathered solely for exploratory purposes and were not systematically integrated into the main analysis. Future research could enhance this approach by creating more detailed measures that capture the variety of entry mode strategies, providing a deeper understanding of how managerial characteristics impact strategic internationalization decisions.

Unobserved variables not included in our models may also play a role in shaping SME internationalization outcomes. For example, managerial networks, industry-specific dynamics, or institutional support mechanisms could mediate or moderate the relationship between CQ and internationalization (Child & Hsieh, 2014; Musteen et al., 2014; Charoensukmongkol, 2015).. Future studies should incorporate such variables to provide a more comprehensive understanding.

Another limitation concerns the relatively small sample size (N = 87), which may have constrained the statistical power of the analysis. While the models were adequate for testing the hypotheses, the limited number of observations - particularly for equity-based entry modes - may have reduced the ability to detect smaller effect sizes. Future studies with larger and more balanced samples could provide more robust evidence and enable the exploration of moderating and mediating effects.

Table 7. Harman's Single-Factor Test: Total Variance Explained

Component	Eigenvalue	% of Variance	Cumulative %
1	6.479	0.25	0.249
2	2.716	0.10	0.354
3	1.871	0.07	0.426
4	1.658	0.06	0.489
5	1.461	0.06	0.546
6	1.318	0.05	0.596
7	1.192	0.05	0.642

8. IMPLICATION AND CONCLUSION

The findings collectively indicate that having international experience serves as a foundational element for developing cultural intelligence (CQ), which aligns with the learning-by-doing perspective and adds to Upper Echelons Theory by connecting tangible career experiences to a manager's cross-cultural skills (Hambrick & Mason, 1984). However, CQ did not have a direct impact on entry-mode selection or immediate international performance in our sample of small and medium-sized enterprises (SMEs). Instead, organizational slack - measured by firm size - was found to be a more significant determinant, supporting transaction-cost and resource-based theories that suggest equity modes necessitate adequate capacity to manage risks and coordinate efficiently (Brush et al., 2002; Sharma & Erramilli, 2004).

The theoretical contribution is twofold.

First, this research enhances Upper Echelons Theory by revealing that international experience - often neglected compared to personality traits or general knowledge - plays a crucial role in shaping managerial thought processes and abilities (P. M. Caligiuri, 2000; Herrmann & Datta, 2002; Peterson et al., 2003; Laufs et al., 2016).

Second, it adds to the strategic management body of knowledge by demonstrating that while CQ is an important managerial asset, its effect on internationalization results is dependent on the organization's resources (Daily et al., 2000; Carpenter & Fredrickson, 2001; K. Kim et al., 2008). Consequently, CQ is seen not as a direct influencer of equity entry modes or short-term outcomes, but rather as a supportive facilitator whose strategic significance is most apparent in collaborative contexts, such as during negotiations, the governance of joint ventures, and post-entry assimilation, since it enhances communication, learning, and conflict resolution (Imai & Gelfand, 2010; Beugelsdijk et al., 2018; Stoermer et al., 2021; Skhiri et al., 2025).

The practical takeaway is that SMEs should maintain a dual approach. On one hand, managers ought to intentionally cultivate CQ through structured experiences like international assignments, cross-border initiatives, or managing multiple markets (K. Kim et al., 2008). Conversely, organizations must realistically align their strategic decisions with the resources at hand: CQ by itself will not shift the balance toward equity modes in the absence of adequate financial and managerial strength (Becchetti & Trovato, 2002; SANYAL et al., 2020). As SMEs expand in size, especially during their transition from small to medium-sized entities, their resource capabilities improve, creating an environment where both equity entry strategies and the performance advantages of CQ are more likely to be realized (Laufs & Schwens, 2014a).

Practically, it suggests that SMEs should deliberately build CQ through targeted international exposure but align strategic choices with their resource base (Brush et al., 2002; P. Kim et al., 2013).

In conclusion, SME internationalization cannot be explained by cultural intelligence (CQ) alone. CQ is a valuable capability, but its impact depends on a firm's resources and context (Cabral et al., 2020; Mammadov & Wald, 2025).

While it may not be the decisive factor pushing firms toward equity entry modes, it is far from secondary. Rather, it is the quiet force that strengthens adaptability, effectiveness, and network building (Ang et al., 2007b; K. Kim et al., 2008; Koo Moon et al., 2012; Child & Hsieh, 2014; Charoensukmongkol, 2015; Jyoti & Kour, 2015), while fostering innovation, knowledge sharing, and collaboration (Berraies, 2019; Stoermer et al., 2021; Afsar et al., 2021; Al Shaer et al., 2023). Above all, it enables firms to navigate cross-border contexts where communication, trust, and conflict resolution are essential (Hu et al., 2019; Kubicek et al., 2019; Afsar et al., 2021; Skhiri et al., 2025).

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Appendices

Appendix 1: Survey Questionnaire

This section presents the full questionnaire used for data collection. The questionnaire was administered through Qualtrics.

Section 1: About your firm

Q1. Please indicate your firm's home country.

- Austria
- Germany
- Switzerland
- Other (please specify): ______________

Q2. How many employees does your firm have?

- Micro (1–9 employees)
- Small (10–49 employees)
- Medium (50–249 employees)

Q3. How many years has the firm been in existence?

- Less than 1 year
- 1–3 years
- 4–6 years
- 7–10 years
- Over 10 years

Q4. What industry does your firm operate in?

- Information Technology and Software Development
- Manufacturing
- Wholesale and Retail Trade
- Professional, Scientific, and Technical Services
- Construction / Real Estate
- Transportation and Logistics
- Financial and Insurance Services

- Education and Training Services
- Healthcare and Social Services
- Hospitality, Tourism, and Food Services

Q5. In how many countries is the firm currently active?

Q6. How many years has the firm been doing business outside of the home country?

Q7. Which mode of entry did your firm employ in its most recent entry into a foreign market?

- **Non-equity entry mode** (e.g., exporting, franchising, licensing, contractual agreements, project-based work, agency or distributor agreements)
- **Equity entry mode** (e.g., joint ventures, wholly owned subsidiaries, foreign branch offices, equity alliances, acquisitions)

Q7a. Please specify the exact entry mode your firm used
(e.g., exporting, licensing, joint venture, acquisition, etc.).

Q8. How would you rate the general performance of your most recent foreign market entry during its initial years?
(Please consider the period since entry, up to approximately the first 3–5 years, or the time elapsed if less.)

Please rate on the following scale:

- 1 = Unsuccessful
- 10 = Successful

Q9. Please indicate the *sales growth* rate of your firm's most recent foreign market entry during the initial years.
(Please consider the period since market entry, up to approximately the first 3–5 years, or the time elapsed if less. A rough estimate is sufficient - no exact figures needed.)

- Negative growth
- No growth (0%)
- 1–5%
- 6–10%
- 11–15%
- 16–20%

- Over 20%

Q10. Was your firm's most recent foreign market entry *profitable* in its initial years?
(Please consider the period since market entry, up to approximately the first 3–5 years, or the time elapsed if less.)

- Yes
- No

Section 2: ***About Your Cultural Intelligence and International Experience***

Please read each statement and select the response that best describes your capabilities.

Response scale:
1 = Strongly Disagree
2 = Disagree
3 = Somewhat Disagree
4 = Neutral
5 = Somewhat Agree
6 = Agree
7 = Strongly Agree

Q11. Metacognitive CQ (MC)
MC1: I am conscious of the cultural knowledge I use when interacting with people with different cultural backgrounds.
MC2: I adjust my cultural knowledge as I interact with people from a culture that is unfamiliar to me.
MC3: I am conscious of the cultural knowledge I apply to cross-cultural interactions.
MC4: I check the accuracy of my cultural knowledge as I interact with people from different cultures.

Q12. Cognitive CQ (COG)

COG1: I know the legal and economic systems of other cultures.

COG2: I know the rules (e.g., vocabulary, grammar) of other languages.

COG3: I know the cultural values and religious beliefs of other cultures.

COG4: I know the marriage systems of other cultures.

COG5: I know the arts and crafts of other cultures.

COG6: I know the rules for expressing non-verbal behaviors in other cultures.

Q13. Motivational CQ (MOT)

MOT1: I enjoy interacting with people from different cultures.

MOT2: I am confident that I can socialize with locals in a culture that is unfamiliar to me.

MOT3: I am sure I can deal with the stresses of adjusting to a culture that is new to me.

MOT4: I enjoy living in cultures that are unfamiliar to me.

MOT5: I am confident that I can get accustomed to the shopping conditions in a different culture.

Q14. Behavioral CQ (BEH)

BEH1: I change my verbal behavior (e.g., accent) when a cross-cultural interaction requires it.

BEH2: I use pause and silence differently to suit different cross-cultural situations.

BEH3: I vary the rate of my speaking a cross-cultural situation requires it.

BEH4: I change my non-verbal behavior when a cross-cultural situation requires it.

BEH5: I alter my facial expressions when a cross-cultural interaction requires it.

Q15. In how many different countries did you reside and work before assuming your current role or starting your present business?
(If you have never resided or worked overseas, please enter "0.")

Q16. Prior to assuming your current role or starting your present business, how many years did you reside and work overseas?
(If you have never resided or worked overseas, please enter "0.")

Section 3: Demographics

Q17. What is your position in the firm?

- Owner-Manager
- CEO / Managing Director
- Export / International Manager
- Operations Manager
- Other (please specify): ___________

Q18. What is your age?

- 18–24
- 25–34
- 35–44
- 45–54
- 55–64
- 65 or older
- Prefer not to say

Q19. What is your gender?

- Male
- Female
- Non-binary
- Gender not listed here (please specify): ___________
  Prefer not to say

Q20. What is the highest level of education you have completed?

- Primary / elementary education
- High school
- Bachelor's degree
- Master's degree
- Doctorate
- Other (please specify): ___________