

# Worldly experience

## *How international experience boosts strategic decision-making for top management teams*

International organizations face greater challenges with strategic decisions than those confined to one national market. This is because international organizations have to consider the effects of cultural and consumer preferences in potentially diverse and conflicting markets, as well as different governmental approaches to business. Top management teams (TMT) therefore have a hugely difficult role in deciding how to create a cohesive strategic decision for an organization that has to operate internationally. International experience (IE) is a key resource for TMTs to have in order to create and implement a successful strategic decision.

One important consideration is that IE has the potential to make TMTs more cautious in international strategic decision-making (SDM). This caution can be combated by having a diverse TMT which is composed of managers with contrasting and conflicting IE. A TMT with a wide range of IE can lead to a boost in competitive advantage. Yet there are issues where IE and a multitude of conflicting approaches can cause a stalemate in TMT SDM. This is something that needs to be avoided by working within a strong leadership environment.

### Unpacking the terms

TMTs with IE are seen as better able to understand the risks and potential returns of investments on an international scale. This is particularly important for SMEs which face a greater challenge in accessing international markets due to their size compared to large multinational organizations. SMEs are typically unable to attract diverse enough TMTs, particularly those with IE. [Azam et al. \(2018\)](#) propose a procedural rationality approach to international SDM. This approach focuses on TMTs making the best decisions based on conflicting interests, imperfect information, and bounded rationality. This means that “the best” decision will largely be replaced by acceptable or good enough decisions that reflect the complexity of SDM on an international level.

IE comes in various forms for TMTs. Experience from working in firms in other countries is helpful for making managers aware of cultural differences and the nuances of foreign markets. Managers who have been educated in other countries are likewise able to understand cultural differences, but also have the ability to utilize international social networks and personal relationships that are formed during their education. Whilst having a single decision maker with IE can be beneficial, SME TMTs gain significant competitive advantage by having a diverse range of managers with IE. This knowledge, however, can lead to organizations being cautious by opting for majority-owned foreign subsidiary structures when investing abroad. Whilst IE in TMTs can mean they are more

sensitive about global cultures, this often results in risk-averse behavior which can limit market success.

### Software SMEs from Pakistan

*Azam et al. (2018)* used 2014 questionnaire data from software SMEs based in Pakistan for their analysis. This industry faces significant competition globally due in part to the difficult domestic environmental and political conditions, geopolitical tensions, and a lack of capital and entrepreneurial investment. The market sees growth but is struggling compared to similar markets in the USA, EU, China, Japan, and South Korea. The software SME industry in Pakistan generates US\$2.8bn, of which US\$1.6bn is from foreign sales. The industry is split between locally owned software houses and foreign-owned software development centers of international organizations. Due to limited demand in the domestic market, the majority of sales and growth potential is international. 84 completed questionnaires were used for the analysis, as well as 16 face-to-face interviews. These formed the following hypotheses, including the results of the analysis:

- H1. TMT IE is positively associated with international SDM rationality (supported).
- H2. International SMD rationality mediates the positive relationship between TMT IE decision effectiveness (supported).

The results of the study confirm that the IE of TMTs increases their cognition base, improving their SDM on an international scale, as well as their confidence in choosing the correct path. Whilst IE can diminish TMTs confidence when SDM due to the multitude of issues and conflicting information on an international scale, understanding these issues does lead to the eventual best option being chosen. SDM rationality has the ability to hamper the growth and adaptability of SMEs due to the analytical and rational processes slowing down SDM. Yet this can be beneficial on an international level as it improves the quality of SDM in an area where speed is less important than good choices. Importantly, teams of decision makers are crucial to international success over the role of a single strategic decision maker such as a CEO.

It is crucial for organizations to embrace “returnees” – those TMT members who take opportunities abroad for study or professional development who then return to the original organization. They can bring with them a huge wealth of knowledge and ability that has the potential to significantly improve the SDM of the TMT. Inhouse training and artificial experience abroad whilst within an organization does not have the same effect as leaving for a new organization or educational establishment. For large multinational organizations, there is the potential for moving prospective TMT members to subsidiaries in new countries to gain experience. But for SMEs, this is often not possible. Therefore, SMEs need to embrace the concept of allowing prospective TMT members to leave then encouraging them to return at a higher level. Ultimately, IE can be seen as a huge benefit to any organization TMT, but its impact is magnified in SMEs.

**International experience (IE) is a key resource for TMTs to have in order to create and implement a successful strategic decision.**

## TMTs with IE are seen as better able to understand the risks and potential returns of investments on an international scale.

### Comment

The review is based on “Top management team international experience and strategic decision-making” by [Azam et al. \(2018\)](#), published in the *Multinational Business Review*.

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### Reference

Azam, A., Boari, C. and Bertolotti, F. (2018), “Top management team international experience and strategic decision-making”, *Multinational Business Review*, Vol. 26 No. 1, pp. 50-70.

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