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Perceived export performance: The invisible part of the iceberg

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Abstract

This study offers a more fine-grained view of perceived export performance (EP) and map out the key aspects of this phenomenon from the perspective of SME managers. Particularly, we explore the differences in managers' practices and their perceptions about underlying aspects of EP, including level of analysis, type of performance, mode of assessment, criteria, time frames, and frames of references. Furthermore, we explore some of the key reasons for variations in EP assessment practices. This study adopts an inductive approach based on semistructured interviews with 20 exporting SMEs in New Zealand. We observed that firms exhibit distinctive behavior in their EP assessment depending on their type of ownership, stage of internationalization, and perceived psychic distance toward target markets. We challenge the assumption that a single, universal EP evaluation model can be used for SMEs and suggest that the appropriate conceptualization of EP should be dictated by each firm's strategic orientation.

KEYWORDS

behavioral theory, export performance, managerial perception, small- and medium-sized enterprises (SMEs), success measures

> "A firm that devotes its resources to the sale of oranges, should not be judged by the number of apples it has disposed of. Their marketers will be concerned with what helps achieve their objectives, the drivers of success, not with the interests of the researcher." (Ambler & Kokkinaki, 1997, p. 665)

1 | INTRODUCTION

The growing theoretical and practical importance of export performance (EP) warrants close attention to the conceptualization and measurement of this phenomenon. One of the major criticisms of the EP literature is that, in some of the previous studies, EP has been conceptualized without paying enough attention to how this phenomenon is actually perceived and practiced by practitioners (Carneiro, Farias, da Rocha, & da Silva, 2016; Madsen & Moen, 2018; Sadeghi, Rose, & Madsen, 2020). In addition, while some studies have highlighted the role of managerial judgment and satisfaction in performance assessment, it is not clear how do managers make sense of success and define it in their actual practices, and what dimensions are involved in their EP assessments. It seems that academic research in this area have predominantly focused on the most visible aspects of judging EP, while the bulk of the iceberg, which is the process underlying this assessment, is yet to be fully understood.

Lack of attention to the managerial perspective is problematic, as managers' perceptions about past performance shape their judgments and strategies in international markets and drive their decision-making (Ambler & Kokkinaki, 1997; Elbanna, Hsieh, & Child, 2020). Although this limited emphasis on manager-related variables has been highlighted, even in early studies on EP (e.g., Aaby & Slater, 1989; Axinn, 1988), it remains an important gap in the literature. Carneiro et al. (2016, p. 410) highlight this issue and conclude that: “Most models of export performance have been developed from the (informed) minds of academicians, and although the majority of them have also been subject to the scrutiny of managers by means of pre-tests and pilot studies, they have not, for the most part, been developed with the contributions of the practitioners in the beginning stages.” This “outsider looking in” perspective limits the relevance and applicability of some prior studies and may lead to a mismatch between the researcher's definition of success and that of the manager (Teagarden, Von Glinow, & Mellahi, 2018). In this case, judgment based on the researcher's definition may be misleading, because the firm's resources are not actually directed at the goals selected by the researcher. This inconsistency speaks to the need to revisit the conceptualization and measurement of EP if researchers are to better understand the behavior of SMEs in the international context.

We argue that performance assessment is context-dependent; therefore, appropriate conceptualization of EP should account for each firm's strategic orientation. Lack of attention to the manager's perspective is particularly problematic in the case of SMEs. These firms are characterized by highly centralized management systems in which the manager's perspective and preferences play crucial roles in decision-making (Aliasghar, Sadeghi, & Rose, 2020; Jennings & Beaver, 1997; Walker & Brown, 2004). Therefore, internationalization process of SMEs cannot be understood truly in isolation from the manager's views (Elbanna et al., 2020; Madsen & Moen, 2018; Sadeghi et al., 2020).

Against this background, this study aims to meet two broad objectives. First, to provide additional insights into the fundamental question of how SME managers perceive and evaluate their firms' EP. Particularly, we explore the perception of managers with respect to five main aspects: level of analysis, mode of assessment, type of performance, frame of reference, and time frame. Second, to explore some of the contextual factors that explain the variations in managerial EP assessment highlight the role of psychic distance, stage of internationalization, and ownership structure. This study contributes to the existing literature by capturing the complexity and equivocal nature of EP assessment practices. We shed light on the underlying aspects of this phenomenon and provide a more fine-grained insight into what factors affect managers' EP assessment practices. Such insight should allow more effective theorizing and empirical investigation into this important area of international business.

Recent studies have called for adopting more qualitative and exploratory approaches for understanding the process and pattern of internationalization of SMEs within their social context (Dabić et al., 2019; Elbanna et al., 2020; Madsen & Moen, 2018; Sadeghi et al., 2020). However, despite the wide-ranging attention devoted to examining EP, only a few studies have adopted an exploratory, qualitative approach to uncover the dimensions of perceived EP (e.g., Carneiro et al., 2016; Diamantopoulos & Kakkos, 2007; Madsen, 1998). The issue of drivers of EP practices has received even more scant treatment in the literature.

To address these research gaps, we employ a qualitative approach based on in-depth, semistructured interviews with managers of 20 exporting SMEs in New Zealand to empirically explore the ways in which they make sense of success in internationalization and how this understanding translates into actions in the managers' EP assessment practices. New Zealand provides a fertile context for studying SMEs' EP for several reasons. Given its relatively small population (about 4.5 million), New Zealand has a small domestic market and relies on global markets to boost its economic growth. In addition, SMEs constitute the vast majority of firms in New Zealand (about 97% of enterprises have fewer than 20 employees (MBIE, 2017)), and they tend to favor exporting as their main mode of international entry.

This study draws on behavioral theory of the firm (Cyert & March, 1963) and the performance feedback theory (Greve, 2003). Both of these theories emphasize an “inside out” approach in understanding the behavior of firms (Child, 2009) and accentuate the critical role of manager's judgments and perceptions in the initiation and subsequent progress of internationalization activities. Our approach is in line with calls in the literature for acknowledging the idiosyncrasies and contextual nuances in investigating EP (e.g., Diamantopoulos & Kakkos, 2007; Lamb, Sandberg, & Liesch, 2011; Madsen & Moen, 2018).

2 | DEFINITION AND MEASUREMENT

One of the key characteristics of SMEs is the critical role of the owner-manager, whose perspective is a key factor in every decision and course of action (Hill, 2001). Thus, to gain a comprehensive understanding of EP, this study adopts an “inside out” approach and conceptualizes EP from the viewpoint of the SME managers. This study draws on two complementary theories. The first one is the behavioral theory of the firm (Cyert & March, 1963) which argues that the process of organizational decision-making is constrained by bounded rationality and needs to be explored from the perspective of managers and by explicitly incorporating their priorities, goals, and motivations. This theory stands in contrast to the prevailing neoclassical economics views that assume that organizational decision-making is based on perfect information and is being driven by profit maximization. Behavioral theory holds that managers' perception of success or failure depends on the extent to which performance goes beyond or falls below aspirations (Kim, Finkelstein, & Haleblian, 2015). The second theoretical lens is the performance feedback theory (Greve, 2003), which builds on the behavioral theory and emphasizes the importance of past performance on future managerial decision-making. Based on this theory, decision-making about international activities is *problemistic*, meaning that it is triggered by a problem or a period of below-aspiration performance (Wennberg & Holmquist, 2008).

For the purpose of this study, following Sadeghi et al. (2020), we define perceived EP as “an individual's understanding of the extent to which specific financial and non-financial goals of a firm are achieved in export markets, based on the criteria and benchmarks that are of importance to the manager” (“Measuring export performance,” para. 1). This definition suits the purpose of our research for several reasons. First, it accounts for both financial and nonfinancial aspects of EP. Second, it recognizes firm-specific idiosyncrasies in assessing EP and focuses on accounting for the goals, criteria, and benchmarks that are valued by managers. Finally, this definition highlights the importance of subjective evaluation and satisfaction with the attainment of goals, where satisfaction is defined as the proximity between a firm's actual exporting outcomes and the intended goals (Ambler & Kokkinaki, 1997; Sadeghi et al., 2020).

Managerial assessment of EP is a complex, multifaceted, and dynamic phenomenon that involves interrelated dimensions. In the following, guided by the comprehensive review of EP assessment literature by Katsikeas, Leonidou, and Morgan (2000), we briefly discuss five main aspects.

2.1 | Level of analysis

Studies on larger firms have suggested the use of different levels of analysis for measuring EP, such as corporate, export venture, export venture portfolio, and product line (see Diamantopoulos & Kakkos, 2007; Morgan, Kaleka, & Katsikeas, 2004). Reviews of EP studies show that most studies have tended to measure this construct at the firm level (see Chen, Sousa, & He, 2016; Hult et al., 2008; Katsikeas et al., 2000).

Analyzing EP at the firm level may ignore the variation of export marketing strategies and performance across different export countries or markets (Cavusgil & Zou, 1994; Katsikeas et al., 2000). For example, while the goal of a firm in an established export market might be the growth in sales, in a new market, the firm may pursue a penetration or a knowledge expansion strategy. Consequently, aggregating EP at the overall firm level may yield inaccurate results due to an averaging effect (Sadeghi et al., 2020). On the other hand, adopting finer levels of analysis, such as export market, has been criticized for not capturing the latent, firm-level variables, which may lead to invalid implications for researchers and managers (Oliveira & Cadogan, 2018; Oliveira, Cadogan, & Souchon, 2012). For example, high EP in one market may have been achieved at the cost of under-investment, and, therefore, low performance in other markets (Oliveira & Cadogan, 2018).

2.2 | Mode of assessment

Previous studies have measured EP with either a subjective approach (based on the judgment and perception of managers about performance) or an objective approach (based on reported "hard" measures, such as accounting data); for reviews see Katsikeas et al. (2000) and Sousa (2004). In their recent review, Chen et al. (2016) found that 80% of studies relied on subjective measures based on primary data for measuring EP.

Several reasons justify the use of subjective measures for assessing EP. First, it is often difficult to have access to accurate financial data about EP. Especially, SME managers are often reluctant to disclose such sensitive information (Lages, Lages, & Lages, 2005a, 2005b). Second, due to the use of different accounting reports and practices across firms, it is difficult to compare the results of different firms (Brouthers, Brouthers, & Werner, 2000). Finally, several studies have shown that subjective measures can be reliable and provide valid performance appraisal (e.g., Lages et al., 2005a, 2005b; Singh, Darwish, & Potočnik, 2016). For example, Axinn (1988) found that managers' perceptions about international operations represent the most important determinant of EP. Some scholars argue that objective and subjective measures are complementary in nature, and a combination of them has the ability to provide a more complete picture of EP (Katsikeas et al., 2000; Sousa, 2004; Stoian, Rialp, & Rialp, 2011).

2.3 | Type of performance

Broadly speaking, there are two principal types of EP: financial and nonfinancial (Katsikeas et al., 2000; Sadeghi et al., 2020; Sousa, 2004). Many firms see exporting as an alternative for gaining both strategic and economic opportunities. However, in many operationalizations of EP, exporting has been viewed as a means of realizing financial goals, and less attention has been given to the strategic dimension (Chen et al., 2016; Katsikeas et al., 2000). This dominant view is reflected in the traditional measurement of EP in terms of accounting-based performance measures (such as sales or profits), while nonfinancial indicators (such as strategic position, market- or product-related measures) have been used less frequently (Gerschewski & Xiao, 2015; Hult et al., 2008; Sadeghi et al., 2020).

2.4 | Frame of reference or benchmark

It is the implicit or explicit benchmark against which performance is assessed (Katsikeas et al., 2000). Previous studies have shown that benchmarking is a common practice in managerial assessments, as it is often more convenient for managers to have a relative judgment about their firm's performance, rather than an absolute one (Carneiro et al., 2016; Piercy, Kaleka, & Katsikeas, 1999; Sadeghi et al., 2020). In addition, managers compare the performance of their firm with others in an effort to learn and capture the best practices.

The extant literature identifies three main frames of references: preset goals, domestic market, and main competitors. With the preset goals frame of reference, performance is viewed in terms of achievement of specific objectives. This view, which has been adopted in previous studies (e.g., Cavusgil & Zou, 1994; Diamantopoulos & Kakkos, 2007), acknowledges that variations in export objectives need to be taken into account in EP assessment. The domestic market frame of reference, according to Katsikeas et al. (2000), is the most commonly adopted frame of reference in the literature (e.g., Casey & Hamilton, 2014; Zahra, Ireland, & Hitt, 2000). However, using this frame of reference is open to criticism because strong EP may be the result of poor performance in the domestic market, rather than successful exporting operations (Katsikeas et al., 2000). The competitor's frame of reference has a strategic aspect, as it provides an indication of a firm's relative competitive advantage in the market (Chetty & Hamilton, 1993, p. 123). Jarvis, Curran, Kitching, and Lightfoot (2000, p. 123) suggest using this benchmark to "assess the health of the firm."

2.5 | Time frame

It pertains to the time horizon against which EP is monitored. In their review of the literature, Katsikeas et al. (2000) identified three distinct time frames for measuring EP: historical, current, and anticipated future. Previous studies have tended to rely on the current and, to a lesser extent, historical time frames to assess EP, while future time frame has been rarely utilized, arguably due to its ambiguity and measurement difficulties (exceptions include Robertson & Chetty, 2000). The widespread use of static, accounting-based measures of performance reflects the prevailing tendency to adopt the current time frame. However, reliance on the current time frame is problematic as it only provides a picture of a moment in time and is sensitive to temporary fluctuations resulting from internal or external factors. In order to avoid this problem, and to balance the effects of short-term fluctuations, some studies adopt a historical time orientation (e.g., over a specified number of previous years) for measuring EP (Katsikeas et al., 2000). This may provide a more realistic representation of "*sustained performance.*"

3 | METHODS

The aim of this research is to explore the concept of perceived EP grounded in the views and understandings of this phenomenon by the SME managers. In line with this objective, we have employed an inductive approach using a multiple case study design (Eisenhardt, 1989b). This approach is especially appropriate for answering "how" and "why" questions (Yin, 2009), and enables us to gain a deeper understanding about associations between different dimensions of perceived EP and draw cross-case comparisons by exploring the patterns of firms' behavior in their natural settings (Ketokivi & Choi, 2014; Verschuren, 2003; Yin, 2009). A key advantage of an inductive approach is that definitions are not predetermined by the researcher; rather, respondents use their own words to provide rich descriptions and deep insights into their practices.

Our data are collected using in-depth, semistructured interviews with an interview protocol employed for guidance. This format encourages conversation with participants and allows them to contribute to the breadth of information that they view as relevant to the topic (Mann & Stewart, 2000). Semistructured interviews provide researchers with an authentic insight into the interviewee's perceptions and "can take us into the mental world of the individual and glimpse the categories of logic by which he or she sees the world." (McCracken, 1988, p. 9).

Interviews were conducted with managers of 20 New Zealand-based exporting SMEs between May 2016 and March 2018. Following the definition of SMEs provided by the New Zealand Ministry of Business, Innovation & Employment (MBIE, 2017), we focused on firms with a maximum of 100 full-time employees. We adopted a purposeful theoretical sampling which is based on selecting cases that are likely to extend our evolving theoretical insights by producing similar or contrasting results (Eisenhardt, 1989b). We intentionally selected privately held SMEs that were different in terms of industry, ownership structure, size, export markets, and stage of internationalization. This approach provided us with the variation necessary for a qualitative, exploratory analysis and enabled us to capture diverse perspectives from the cases (Fletcher, Zhao, Plakoyiannaki, & Buck, 2018; Gartner & Birley, 2002; Pratt, 2009). The number of cases was considered sufficient as we achieved apparent theoretical saturation; which this is the point that no new themes emerge and "incremental learning is minimal" (Eisenhardt, 1989b, p. 545). It is important to note that the purpose of case study research is not to gather a representative sample (Yin, 2009, p. 38).

The main criteria for recruiting participants were being a SME that is New Zealand based, independently owned, and having exporting activities. For identifying the potential participants and developing the sample frame, we used different sources, including:

- Company websites;
- Business magazines and industry publications;
- Databases such as TIN100 (Technology Investment Network report) and Kompass Business Directory;
- Governmental websites such as NZTE (the New Zealand Trade and Enterprise), MBIE (the New Zealand Ministry of Business, Innovation & Employment), and ExportNZ.

The interviews were conducted with senior managers or export managers of the SMEs, as these respondents are likely to have the in-depth knowledge required to provide useful and accurate information about the international activities of their firms. A detailed profile of the participating SMEs appears in Table 1. The variety of firms in the study allows us to conduct a meaningful exploratory study, as it includes SMEs that represent a range of industries, sizes, and ages.

Due to space limitations, we introduce two of the firms here. Further explanations about the participating firms are provided in the online appendix (Table A1).

F8: This company is a producer of premium organic cooking oil. Exporting accounts for 80% of their revenue, and they sell in 34 countries. They were among the first to introduce some of these products internationally, and have remained an industry leader in their niche market. The main motivation for this firm's internationalization is the small size of the domestic market. This company emphasizes long term, sustainable growth in their target markets, and pursues a range of nonfinancial goals such as creating value for customers, developing brand awareness, and earning customers' trust and loyalty.

F10: This company farms various seafood products, such as salmon, mussels, and oysters, which it sells to retail and fast food customers in seven countries, including the United States, Australia, and

TABLE 1 Profile of the interviewed firms

Firm	Industry	Year of firm's establishment	Year of first international sales	Number of employees	Number of foreign markets	Interviewee
F1	Tooling and manufacturing	1975	1990	3	4	Owner and manager
F2	Sport equipment	2013	2015	4	8	Owner and manager
F3	Seafood	2009	2010	55	8	Owner and manager
F4	Food industry	1981	1990	16	10	General manager
F5	Kitchen containers	1993	1996	92	62	Owner and marketing director
F6	Fresh fruits exporter	2003	2003	6	9	General manager
F7	Bed linen industry	2011	2013	32	18	Managing director
F8	Oil producer	2000	2002	45	34	Owner and manager
F9	Natural health	1998	2013	12	3	General manager
F10	Seafood	1980	1992	25	7	Owner and manager
F11	Industrial sensor	2001	2002	30	50	Managing director
F12	Agricultural technology	2006	2006	35	6	General manager
F13	Industrial scales	2014	2015	12	33	Owner and manager
F14	Organic food	2008	2012	10	4	Owner and manager
F15	Fireplace industry	2002	2006	88	5	Owner and manager
F16	Wine maker	1992	1996	58	15	Marketing manager
F17	Biotechnology	2008	2011	11	4	Owner and manager
F18	Seafood	1990	1995	36	9	Owner and manager
F19	Medical communications	2012	2013	4	5	Owner and manager
F20	Food and beverage	2012	2012	5	6	Marketing manager

China. Although the owner-manager of this company identified financial outcomes as important indicators for success, they emphasized that these indicators cannot provide a true picture of the firm's performance in the absence of nonfinancial measures. Interestingly, the owner-manager viewed a profitable business in Australia as an example of poor performance, and a nonprofitable business in China as an example of good performance, due to the lack of achievement of the preset nonfinancial goals in the former market and the achievement of nonfinancial goals in the latter.

Interviews were conducted either face-to-face or via telephone or Skype, and lasted between 60 and 150 min. The interviewees were informed in advance about the general topic of the study and possible questions that could be asked in the interview, and they were assured that their answers would be confidential. Following the guidelines for conducting semistructured interviews proposed by McCracken (1988), we developed a list of predetermined open-ended questions that covered the main issues identified in the literature review. However, the interview was not limited to these questions. Each interview began with some general questions and was continued with more detailed and specific follow-up questions based on responses to prior questions. For example, we asked respondents to give actual examples of assessing EP in a specific export market and to further elaborate on the criteria, benchmarks, and time frames they use for evaluating EP and the logic behind their choices. This strategy allowed us to invoke specific probes for more clarification and to go beyond the superficial and face value statements.

All the interviews were recorded and transcribed immediately after the meetings. The transcribed data were then imported into NVivo 11, where they were organized, coded, and analyzed. The transcripts were analyzed using content analysis to categorize and organize the data under related themes and topics derived from the research questions. The content analysis of the transcripts was conducted following the approach discussed by Miles and Huberman (1994), which involves three interactive and concurrent steps of data reduction, data display, and conclusion drawing/verification. In the data reduction step, patterns and themes are discovered using systematic coding and by grouping the data into categories according to their shared features. The within-case analysis in the first stage is followed by the case-by-case analysis in the data display stage, in which the information is assembled into tables. Finally, during the conclusion phase, the findings in previous steps are synthesized across case studies to draw conclusions.

Following the guideline for coding and categorization of the data outlined by Sinkovics and Ghauri (2008), we began coding based on the predefined central themes informed by the research objective. At this stage, we identified five main codes, corresponding to the above-discussed aspects of performance evaluation. Furthermore, we identified two main codes (internal and external factors) for coding the factors driving assessment practices. The coding then continued by identifying new patterns and themes that emerge from the data.

At this stage, the main codes were again divided into two to five subcodes, which were further categorized into between two and nine sub–sub codes (Miles & Huberman, 1994). After conducting several rounds of iterations and cross-case comparisons, we narrowed down to a key set of codes that could systematically describe the data. Figure 1 illustrates the categorization of main codes to relevant subcodes and sub–sub codes for one of the factors pertaining to aspects of performance evaluation (i.e., type of performance).

4 | FINDINGS

In this section, we present the findings from the analysis of semistructured interviews. Illustrative quotes supporting the key findings relating to the five main aspects of EP assessment are presented in Table A1 in the online appendix. The findings are presented in two parts. First, we report the findings on the perceptions of managers regarding various dimensions of EP. Then, we explore some of the underlying reasons for variations in managerial perceptions and practices.

4.1 | Dimensions of EP

4.1.1 | Level of analysis

The studied firms differed in terms of the level of analysis they were using for EP assessment. While all the interviewees stated that they evaluate the aggregated performance of their international operations at the firm level; however, they reported using other levels of analysis for different purposes. As the manager of F6 suggested, firm-level analysis is important for shaping an "internationalization roadmap," while finer levels of disaggregation, such as market level, need to be employed for formulating action plans. In addition, all the interviewees reported that they pursue various goals and emphasize different performance measures in different markets. This necessitates evaluating performance in each market individually. As the manager of F17 states:

> Our objectives in different markets differ a little bit. For example, in China, we have a more long-term business strategy, and we look for building networks and strong business connections. In Japan and Taiwan, the most important objective is sales.

Our findings stand in contrast to the prevailing view in the existing literature that the firm level is the preferred level of analysis for SMEs (Styles, 1998). The main basis for this statement is the assumption that it is difficult for smaller firms to isolate the performance outcomes of an individual export market from the overall EP at the firm level (Hult et al., 2008; Matthyssens & Pauwels, 1996; Styles, 1998). In contrast to this conventional view, managers in our research seemed to be comfortable with distinguishing between market-level and firm-level EP and tended to have a quite clear idea about their firm's performance in each market.

In general, we argue that there is no single *correct* level of analysis for all the studies. Instead, the appropriate level of analysis for EP assessment depends on the context of the study, the research question, and the theoretical underpinning of the research (Chen et al., 2016; Oliveira et al., 2012).

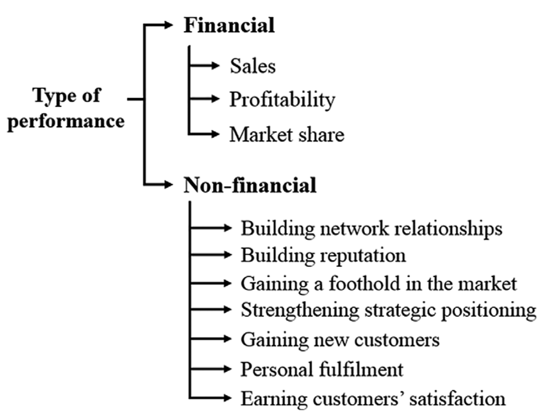

FIGURE 1 Hierarchical nodes structure for two main codes. In addition to the interviews, we collected secondary data from company web pages, newsletters, and business magazine articles for each case, to ensure the validity of our findings. These secondary data included information about the history of firms, their product or services, their evolutions and events, export markets, and achievements and obstacles in internationalization process. Also, whenever possible, we collected objective data related to export performance (EP) to compare with the subjective judgment of the participants. Supplementing the data obtained from interviews with secondary data is a recommended approach for triangulation in qualitative research (Ghauri & Grønhaug, 2005; Teddlie & Tashakkori, 2009). This approach enriches the study and provides a more holistic picture of the phenomenon under investigation

4.1.2 | Mode of assessment

Only four respondents in our study had formal procedures for EP assessment. For example, in an interview with an online business magazine, the owner-manager of F15 explains that they "continually take a helicopter view" of their business:

> *For two hours a month, we're able to not only look at details of last month and coming months but also make sure we're looking at it in a 12-, 24-, 36-month horizon.* (Stuff Ltd, 2015)

Most of the participants in the study articulated that they do not use any formal system for assessing EP. This is in line with some prior studies (e.g., Owusu-Frimpong & Mmieh, 2007). Some of the interviewees stated that, due to their small size, a formal and systematic procedure for monitoring their progress is not necessary (e.g., see sample quotes of F1, F7, F14, and F19 in Table A1 in the online appendix).

However, all the firms reported that they have at least some sort of informal and intuitive monitoring system in place. In general, the managers in our study showed a clear inclination toward evaluating EP based on their own perception and interpretation, rather than objective measures. Instead of employing a systematic procedure, the interviewed managers tended to judge their progress based on comparing the firm's attainments in international markets with the intended outcomes. As one manager commented:

> We evaluate our export performance on a month to month annual basis. We just look at our sales in different markets and determine subjectively whether we are making headway and making money. [F4]

Thus, our findings reinforce the view that SME managers tend to rely on their subjective financial and nonfinancial measures in their judgment about performance (e.g., Diamantopoulos & Kakkos, 2007; Robertson & Chetty, 2000; Xardel & Schulz, 2008). Even, in some occasions, managers may reject traditional accounting-based measures of performance as being irrelevant for their practices (Alteren & Tudoran, 2016). As one manager commented:

> You cannot only rely on accounting measures for assessing the firm's outcomes. If not used properly, they can be misleading […] these numbers are only meaningful when they are seen in the unique context of the firm. [F18]

Accounting-based performance measures are criticized for being backward-looking and providing snapshots of past (Ambler & Kokkinaki, 2000; Clark & Ambler, 2001; Jennings & Beaver, 1997). In addition, these measures are short-term oriented and, therefore, fail to address the delay of investment, according to which, there is a time lag between investments and realization of their outcomes (Barney, 1991; Ittner & Larcker, 2003). Finally, the meaning of accounting measures may vary across firms. Therefore, these measures may not be a valid basis for comparing performance.

There is no denying the importance of objective measures in monitoring the outcomes of a firm's operations. Yet, objective measures per se may not be able to fully represent a firm's performance, because they do not reflect the critical strategic aspects of performance (Wach, Stephan, & Gorgievski, 2016; Walker & Brown, 2004). Subjective performance assessment is particularly important for SMEs that are typically characterized by highly centralized and individualized leaderships that rely on the championing manager for decision-making (Elbanna et al., 2020; Gerschewski, Scott-Kennel, & Rose, 2020).

4.1.3 | Type of performance

It seems that performance evaluation criteria do not convey the same meaning across the studied firms. All the participants in this study articulated that they use a combination of financial and nonfinancial measures for monitoring and assessing EP. However, the implication and importance of these performance measures vary by each firm, each market, and each time frame. For example, see sample quotes from F11, F14, and F17 in Table A1.

Not surprisingly, all of the SMEs in the study reported employing some financial measures for assessing their EP. For example, see sample quotes of F3, F4, F7, F9, F15, and F17 in Table A1. This emphasis on financial performance is in line with the statement of Marlow and Strange (1994, p. 180) that "All businesses must be financially viable on some level in order to continue to exist." However, respondents generally agreed that purely financial indicators are not able to capture the whole picture of exporting success. For example, the Marketing Manager of F20 acknowledged that financial loss is not necessarily a sign of low EP, as it might be the cost of achieving more important nonfinancial goals:

> Financial loss in the short term does not necessarily mean failure. You need to look at how does that compare to the previous period, if the trend is good that is less of a concern anyway. If we made a slight loss, but at the same time we've got 10 new partners that can give us pretty good business next year we would be pretty stupid to retreat from that market place. [F20]

In a similar vein, almost all the interviewees emphasized that financial measures alone are not enough for assessing performance, because it takes time before investment in nonfinancial goals pays off and subsequently translates into an improvement in financial outcomes. From one participant:

> Any exporting to a new market is going to be a financial loss in early stages until you get that market established and it becomes fruitful for you. [F1]

Our results suggest that managers can tolerate a certain level of financial loss and continue their unprofitable operations in export markets as long as they are satisfied with the achievement of nonfinancial objectives. Most of the interviewed managers acknowledged that they do not necessarily see low profitability or even financial loss in the short term as evidence of failure (see sample quotes of F1, F2, F6, F10, F11, F14, F15, and F20 in Table A1).

The quote that follows illustrates how nonfinancial measures can outweigh financial ones in shaping managerial judgment. In this seemingly counter-intuitive case, referred to earlier, the owner-manager perceives a profitable business in one country as unsuccessful, while seeing the nonprofitable operations in another country as successful. This example underlines the importance of incorporating managers' goals and expectations and clearly shows how looking from outside using traditional accounting-based performance measures can provide a misleading and distorted picture of EP.

> Our business in Australia has always been profitable, but I can hardly say that I am really satisfied with it,

> because I think we could do much better. In fact, the opportunity knocked, but we didn't answer the door and failed to take a big leap. We obviously didn't make the most of it … [In China], we are still struggling; we have invested big time but haven't been able to make big money yet. But we were prepared for that… Overall, I am happy about our job in China. We sowed the seeds of long term business relationships, and I think our investment will pay off soon, and we will start selling through these channels. [F10]

Despite being aware of the importance of nonfinancial objectives, the managers generally acknowledged that the value of nonfinancial goals will not be fully realized unless these goals are directed toward achieving financial outcomes. For example:

> No matter how good you are in establishing a relationship, at the end of the day, you have to take the relationship to the bank. [F3]

We observed wide variation in the responses with regard to the nonfinancial goals set by the respondents. The most frequently mentioned goals were "building network relationships," "gaining a foothold in the market," "strengthening strategic positioning," and "building a strong reputation." Other goals that appeared less frequently in the interviews include "personal fulfillment," "learning," "earning customers' trust and loyalty", "brand awareness and engagement."

Overall, these findings reinforce the view of earlier studies demonstrating that SME owners often pursue a range of nonfinancial, strategic goals (Gray, 2002; Jarvis et al., 2000; Walker & Brown, 2004). Therefore, monetary factors per se may not completely capture EP. In many cases, there are incompatibilities and trade-offs between financial and nonfinancial objectives (Sadeghi et al., 2020; Sadeghi, Rose, & Chetty, 2018). For instance, if the strategy of the firm in a particular market is to gain a foothold and increase market share, strong financial results may not be realized immediately. Thus, a low financial outcome is not necessarily an evidence of low EP; rather, it might be the result of an investment that is expected to lead to substantial future prosperity.

4.1.4 | Frame of reference

Relative assessment of EP according to different benchmarks was a common practice among the studied SMEs, and managers barely assessed their performance by the absolute level of financial gains. We observed that the perception of managers regarding the achieved EP differs considerably according to the choice of benchmarks. Interestingly, in some cases, EP was perceived to be positive against one benchmark and negative against another. This observation can be explained based on prospect theory (Tversky & Kahneman, 1979), according to which the choice of frame of reference "casts the same critical information in either a positive or a negative light" (Levin, Schneider, & Gaeth, 1998, p. 150).

All the participants indicated that they use their own plans and goals as the benchmark for their EP assessment. For example:

> We measured our performance against our plans and key objectives in that year. Whether it is increasing sales, introducing a new product or establishing new connections… We make a new plan every year and we set the goals we aim to achieve that year and at the end of that year we measure our performance against that plan and what we expect from our markets [F9].

The use of domestic operations as a benchmark was implicitly mentioned by five of the participants (F6, F10, F14, F16, and F17). However, external frames of reference, such as "competitors' performance," only features as a benchmark in two of the interviews (F3 and F16). In fact, most of the interviewees mentioned that they barely collect any information about their competitors, while the others had only a rough idea about their competitors' performance. One of the respondents explained why adopting an external performance benchmark is not practical or even relevant:

> Comparing performance with the competitors is not as straightforward as it sounds. Each of us follows different goals and strategies. You cannot even compare your performance in two markets in the same way. [F2]

The dominance of managers' own plans as the main frame of reference for performance assessment is in line with existing studies in EP (Carneiro et al., 2016; Sadeghi et al., 2020), as well as marketing performance literature (Ambler & Kokkinaki, 2000). This evidence resonates with the performance feedback theory, which suggests that managers tend to set aspiration levels, shaped by organizational goals, to assess their firms' performance (e.g., Jennings & Beaver, 1997; Kim et al., 2015). These aspiration levels facilitate interpretation of outcomes by serving as benchmarks against which managers assess their firms' performance. As described by Greve (1998, p. 59), "The aspiration level is the borderline between perceived success and failure."

4.1.5 | Time frame

Nearly all the studied firms mentioned that they use both short- and long-term EP assessments, although their priorities in different time frames were varied. Regardless of their preferred time frame, most of the interviewed firms (17 out of 20) noted that attainment of financial goals gains more importance in longer term. For instance, the manager of F15 explained that they are tolerant for "short-term pain" in the hope of achieving "long-term gains."

This is in line with the findings of Trudgen and Freeman (2014), that firms prioritize operational measures such as establishing the business and reaching new markets in short term, while, in long term, this focus shifts to gaining financial success. Also, Ittner and Larcker (2001) found that senior executives perceive short-term financial measures as the fifth important factor behind four non-financial measures. Similarly, Anderson (1990) found that it may take 7–8 years before parent firms can assess the performance of an international joint venture based on financial measures such as ROI and cash flow. Our findings are in contrast to previous findings that SME managers are extremely "short-termism" in defining their strategies and evaluating EP (Lages & Lages, 2004; Madsen, 1998).

4.2 | Drivers of variation in managerial EP assessment

In addition to investigating the perceptions of managers regarding different dimensions of EP, this study explores some of the underlying reasons for variations in managerial perceptions. As Leonidou, Katsikeas, and Samiee (2002, p. 65) point out, "to enhance knowledge in the field, more research should be channeled toward understanding the role of antecedent variables pertaining to managerial, organizational, and environmental elements in influencing export marketing strategy, and how such factors affect export performance." Although previous studies have explored the role of internal (firm-level) and external (country-level) determinants of EP outcomes (for reviews see, Chen et al., 2016; Leonidou et al., 2002; Sousa, Martínez-López, & Coelho, 2008), the literature has paid relatively little attention to the role of these factors on shaping the perceptions of managers about EP. Several driving factors were identified in our research. In this section, we outline two of the key emerging themes.

4.2.1 | Psychic distance and stage of internationalization

There is evidence in the extant literature that the firm's stage of internationalization (Kahiya & Dean, 2016; Larimo, Le Nguyen, & Ali, 2016) and perceived psychic distance (Kraus, Ambos, Eggers, & Cesinger, 2015; Sousa & Lengler, 2009) play critical roles in managers' perception of opportunities and challenges in foreign markets.

Borrowing from Sousa and Bradley (2006), we define psychic distance as the "individual's perception of the differences between the home country and the foreign country." This perspective places the focus on the perception of the primary decision maker regarding the cross-country differences rather than actual differences between countries. In this study, we found that, when studied separately, it is difficult to draw a conclusion about their role and impact. However, analyzing the joint effects led to interesting results. We found evidence that the managers' priorities in EP assessment change as firms become more established in the target market. However, the findings revealed an opposite pattern of transition among firms that were operating in psychically distant and psychically close countries.

We observed that firms in early stages of internationalizing in psychically distant countries place more emphasis on long-term nonfinancial goals, while their attention gradually shifts to more short-term financial goals as they gain experience in these markets (see sample quotes of F8, F10, F11, and F17). For example:

> We were aware that in Asian countries like China or Malaysia, things are much different [from New Zealand], and we would need more time to get to know the market and adjust our business. We were very conservative in these countries and took our time to get things right. But once we settled down and got into the groove, we were on a roll! [F8]

In contrast, among the studied firms, those in early stages of internationalization in psychically close countries tend to place more emphasis on short-term financial goals, while the more experienced and established firms tend to pay more attention to long-term nonfinancial goals. For example:

> At first, we saw the Australian market as a relatively accessible extension to our domestic market that would give us the opportunity to sell more with less effort than in our other markets. We expected a more or less similar reaction to our products there […] we later learned that our further growth [in Australia] depends on more engagement with the local market. [F8]

Exceptions to this finding were F1 and F9, which, despite being established firms in psychically close countries, showed an emphasis on short-term financial performance.

Based on the above observation, we offer two propositions:

Proposition 1a. *In psychically-distant countries, managers tend to prioritize long-term nonfinancial goals in the early stages of internationalization, while in later stages, short-term financial goals become more important.*

Proposition 1b. *In psychically-close countries, managers tend to prioritize short-term financial goals in the early stages of internationalization, while in later stages long-term nonfinancial financial goals becomes more important.*

4.2.2 | Ownership

One of the themes that emerged from the interviews pertains to the role of firm's ownership structure. Previous studies in the broader entrepreneurship literature have acknowledged the central role of ownership structure, and the impact of the owner's or manager's preferences, attitudes, and personalities in SMEs (Colombo, Croce, & Murtinu, 2014; Jennings & Beaver, 1997). However, limited focus is given to the role of ownership structure in exporting SMEs and their EP practices (exceptions include Fernández and Nieto (2006)).

We found that owner-managers and external managers (i.e., professional managers recruited from outside the firm) tend to perceive success in exporting differently and demonstrate varying EP assessment practices. Owner-managers were more inclined toward assessing EP in long term, whereas external managers were more short-term oriented. In addition, compared to external managers, owner-managers tended to put relatively more emphasis on nonfinancial performance. Furthermore, in terms of financial performance criteria, owners tended to perceive profit-related factors as more important, whereas external managers were more likely to perceive performance in terms of volume terms such as export sales growth.

Some nonfinancial criteria that appeared in the interviews were related to "lifestyle criteria" such as "personal fulfillment." The motivating nature of these factors and their importance in the perception of managers about business success has been recognized in the entrepreneurship literature (for a review, see Stephan, Hart, & Drews, 2015). We found that owner-managers are more likely to perceive success in terms of lifestyle criteria, whereas these factors were not as important for external managers. This finding is in line with the suggestion of Walker and Brown (2004, p. 588) that "given the strong entwined nature of the business and the owner, personal success often equates to business success." Interestingly, we observed that, sometimes, personal fulfillment overshadows other business-related goals. In some instances, owner-managers may even be willing to alter their preset objectives in order to remain satisfied with the outcome of their strategies. This issue is particularly relevant for owner-managers of SMEs, as they often set goals implicitly and vaguely, instead of making them explicit as part of a written business plan (Greenbank, 2001; Simpson, Padmore, & Newman, 2012). For example, the owner and manager of F13 explained how he continued running business in the United States while it was "doomed to failure from the first place":

> In the US, we were on a slippery slope, we were constantly losing money, but I didn't want to accept that we are doing things wrong… I was subconsciously seeking out signs that prove we are in the right direction, and there is a light at the end of the tunnel. [F13]

Similarly, we noticed that the role of the sunk cost effect, defined as the "tendency to continue an endeavor once an investment in money, effort, or time had been made" (Arkes & Blumer, 1985, p. 124), is particularly prominent among owner-managers. It seems that owner-managers are more prone to invest in, and linger with, an underperforming market despite clear signs that the operations are sub-optimal. It might be that owner-managers typically have higher emotional attachments and commitment to their business. For example:

> It is one of the most difficult things, in my experience, to decide whether to pull out from a market in which you are losing money in, or staying in and continue investing. You may end up investing so heavily in developing a market that you mentally cannot afford walk away from anymore. [F18]

Some of these findings can be explained based on agency theory (Eisenhardt, 1989a; Jensen & Meckling, 1976), according to which owners and external managers are likely to have divergent interests, preferences, and objectives, and may thus display different behaviors and practices. In agency theory, the separation between ownership and management may create the principal-agent problem (Eisenhardt, 1989a; Fama & Jensen, 1983). Principals (owners) designate tasks and responsibilities to agents (external managers), hoping that the agents' interests and pursued goals are in the principals' best interest. However, in reality, there may be diverging, and even conflicting, interests and priorities between the principal and the agent, leading the agent to make "selfish decisions" at the expense of the principal, causing agency problems (Bendickson, Muldoon, Liguori, & Davis, 2016; Grossman & Hart, 1992; Werner, Schröder, & Chlosta, 2018). According to Mitchell and Meacheam (2011, p. 151), "The focus of agency theory stems from assumptions that the agent will behave opportunistically, particularly if their interests conflict with the principal". According to Vaubel (2006), such principal-agent problems are especially likely to cause challenges for international firms. Thus, we posit the following propositions:

Proposition 2a. *Compared to external managers, owner-managers tend to be more long-term oriented in their export performance assessment.*

Proposition 2b. *Compared to external managers, achieving nonfinancial outcomes is more important for owner-managers.*

5 | DISCUSSION AND CONCLUSION

Despite the inherently cognitive nature of the managerial assessment of EP, relatively few studies have taken into account managers' perceptions about this phenomenon. The lack of attention to managers' perceptions, preferences, and goals has been noted in previous studies. For example, Katsikeas, Morgan, Leonidou, and Hult (2016, p. 11) give a word of caution and contend that ignoring managers' views "forces researchers to either assume (implicitly or explicitly) what firms' goals might be or to adopt more 'goal-agnostic' financial-market performance measures." In this research, we respond to requests in the literature for more in-depth qualitative exploration of "what managers in SMEs have in mind when they evaluate the export performance of their firm" (Madsen & Moen, 2018, p. 387). This is among the few studies that adopt an "inside out" approach (Child, 2009) and investigate the process of EP evaluation of SMEs grounded in the perceptions of managers. This study sheds light on various dimensions involved in managerial EP assessment and explores the nature and impact of these dimensions. Furthermore, this article extends our understanding of some of the driving forces behind variations in managerial EP assessment practices. Our findings have implications for conceptualizing and measuring EP in future research.

Our results highlight the heterogeneity and context-specificity of EP practices among managers and support the notion that managerial perception of EP is subject to interpretations that are shaped by the firm's history and goals (Aspelund & Moen, 2005; Kim et al., 2015; Lamb et al., 2011; Sadeghi et al., 2020). For example, a given outcome that is perceived as a success by one firm can be seen as a failure for another firm, or even for the same firm at a different point in time. Levitt and March (1988, p. 325) refer to this subjectivity and paradoxicality in the perception of success as "the ambiguity of success." We concur with previous studies that show that, not only do firms differ in terms of goals that they pursue in international markets, but each firm pursues a range of different goals with varying importance in different markets (Aspelund & Moen, 2005; Carneiro et al., 2016; Diamantopoulos & Kakkos, 2007; Sadeghi et al., 2020). Taken together, our case firms exhibit variation, in type and relative importance, of exporting goals at different levels: across firms, across different export markets within a firm, and for each firm over time. Managers orchestrate these dimensions in various ways that reflect their strategies as well as the variation in their orientation toward the firm and its environment. Therefore, this line of evidence suggests that EP assessment is idiosyncratic to individual firms, and there is no omnipotent EP measurement model by which all SMEs can be assessed. This resonates with the conclusion of Sadeghi et al. (2020 "Discussion and conclusion," para. 2), that "when it comes to export performance assessment, one size does not fit all." Goals, strategies, and firm's orientations shape managers' perception of success (Lamb et al., 2011; Walker & Brown, 2004). Therefore, instead of measuring EP against rigid, predefined goals, it is important to account for the objectives that are actually pursued by practitioners and incorporate the variations in types and importance of export objectives, criteria, benchmarks, and timeframes, both within and between firms. For instance, if the main goal of a firm is to build a strong foothold in the market, greater emphasis needs to be placed on this factor in EP assessment pertaining to that specific market. Additionally, due to the dynamic nature of organizations and changes in directions, for a given firm, the importance of particular attributes may change over time.

Different EP measures reflect unique aspects of SMEs' operations in export markets, and none of them is inherently superior to the others. Depending on the firm's settings and the manager's orientations, different collections of measures are suitable. Therefore, to have a comprehensive picture of EP, it is important to utilize multidimensional measures that cover the conceptual domain of this construct by supplementing financial measures with nonfinancial ones. Incorporating nonfinancial measures enables managers to have a glimpse of how well they are progressing in their export operations before this progress reflects in their financial statements. In other words, nonfinancial measures need to be viewed as complementary to, rather than a substitute for, financial ones (Jennings & Beaver, 1997; Walker & Brown, 2004). As the manager of F16 described, "… financial and non-financial performance are two sides of the same coin. None of them will last long without the other."

Shifting attention to the time frame, the prevailing view in the literature suggests that SME managers are strongly inclined toward short-term EP assessment (e.g., Carneiro et al., 2016; Sousa, 2004). In contrast to this dominant view, we found, that not only do managers evaluate performance both in short and long terms, but even long-term performance was much more important for some of them.

We also observed that the attainment of financial goals often gains more importance in the long term. This may reflect the fact that long-term survival depends on the firm's ability to maintain reasonably strong and healthy financial performance. However, respondents were generally aware that there is a delay between improvement in nonfinancial measures and its translation into better financial performance. Efforts to improve nonfinancial measures may even come at the expense of financial returns in the short term. For instance, failure in an individual foreign market may be a part of the learning process, or investment in the development of relationships with key new customers, which may eventually contribute to the overall export success of the firm in the long term (Madsen & Moen, 2018; Sadeghi et al., 2018). This finding is in line with Sapienza, Autio, George, and Zahra (2006, p. 928) who argued, "For some entrepreneurs, failing in one or many ventures before creating the 'big winner' is not an impediment and may actually provide experience that improves the odds of future success and wealth."

While we suggest that researchers should avoid oversimplification in conceptualizing EP, we acknowledge the practical difficulties in incorporating all the above-mentioned dimensions and their idiosyncratic importance in some empirical studies. Our suggestion to mitigate this issue is that, as a start, researchers need to account for managers' overall satisfaction with export outcomes. We observed that, when managers were not able to explicitly articulate the process of EP assessment, or even when they did not have a structured assessment procedure, they had a fairly clear and well-informed judgment about the overall success of their export operations in different markets Overall satisfaction reflects the proximity between the firm's intended and attained exporting goals and, arguably, encapsulates all of the factors affecting EP in a holistic manner (Madsen & Moen, 2018; Sadeghi et al., 2020). This overall satisfaction should be measured against the manager's preferred or most important benchmark, and the specific timeframe that is of interest for the research purpose. Despite the shortcomings of such an aggregated measure, including it alongside other more fine-grained measures could increase the validity of EP measurement.

One of the contributions of this article rests on the attempt to provide new insight to behavioral and performance feedback theories by shedding light on some of the contextual factors that explain the variations in managerial EP assessment practices. As Paul et al. (2017, p. 337) noted, "SME internationalization are outcomes of their strategic choices made in contextual settings." However, the contextual factors affecting managerial EP assessment have remained under-studied. This research extends the existing literature by shedding light on psychic distance, stage of internationalization, and the firm's ownership type, as important sources of heterogeneity in EP assessment practices.

One of the emerging themes in this study relates to the joint role of psychic distance and stage of internationalization in the managerial assessment of EP. Although the importance of these factors has been recognized in the broader organizational performance literature, they have received remarkably scant attention in studies of EP assessment. We found that the managerial approach to EP assessment changes over time as a firm transits through different stages of internationalization in a target market. However, we observed a distinct pattern of transition for psychically distant and psychically close countries. In psychically close countries, managers tended to prioritize short-term financial goals in the early stages of their internationalization into these markets, while they tended to adopt a longer-term perspective in their operations during later stages. On the contrary, we observed that, in psychically distant countries, managers placed more emphasis on long-term nonfinancial goals in the early stages, and that their attention shifts to short-term financial goals in later stages.

The underlying reason for this distinctive behavior is that psychically close countries are expected to function in a more or less similar way as the home market, allowing for leveraging homegrown competencies and replicating home market strategy to generate additional sales and achieve short-term financial benefits (Jonsson & Foss, 2011). However, for most firms, home replication is an initial, temporary approach that is pursued in the early internationalization stages (Cavusgil, Knight, & Riesenberger, 2017). As firms establish themselves in psychically close markets, the ability to compete effectively may depend on their adopting to the market and becoming more locally responsive. Therefore, they gradually shift their attention to nonfinancial performance and adopt a longer-term perspective in their operations. This is consistent with the finding of Walker and Brown (2004) that nonfinancial measures become important for firms only after they establish a certain level of financial security.

On the contrary, in psychically distant countries, transferring firm-specific advantages is more difficult, and firms tend to suffer from substantial uncertainties resulting from liabilities of foreignness, which may hinder their competitiveness in the target markets (Zaheer, 1995). In order to overcome these disadvantages, firms need to adopt a long-term perspective and invest time in conducting more extensive market research to learn about the target market, establish networks, and adjust their operations (Dominguez & Mayrhofer, 2017; Ojala, 2015). Under such circumstances, firms initially tend to be conservative and adopt risk-avoiding strategies. They may introduce their products or services on limited scale to test the market and learn how their offerings perform in the new market. Profit maximization is often not the primary goal at this stage. Firms only extend their commitment when they conclude that there is a positive prospect for their offerings in the target market. Over time, as firms gain knowledge and experience, build reputations and legitimacy in the host country, and adjust their operations, they may be able to mitigate the challenges of foreignness. Consequently, firms may be able to shift their attention to short-term financial goals. Obviously, due to the qualitative nature of our study, further research with an increased sample size is warranted to assess the generalizability of these findings.

Another emerging theme from the interviews relates to the role of ownership structure. Our cross-case analysis showed that there is a considerable difference between owner-managers and external managers in terms of the way they perceive success and assess EP. We found that, compared to external managers, owners tend to be more long-term oriented, more likely to maximize profit than sales, and place greater emphasis on nonfinancial goals. This is in line with the findings of Cole, He, McCullough, and Sommer (2011), that external managers may be more risk-averse than owner-managers. On the other hand, firms led by external managers are more likely to experience conflicts of interest and agency costs that can be detrimental to performance. For example, external managers may sacrifice long-term goals in order to achieve immediate payoffs (Aulakh & Gencturk, 2000). On the other hand, while owner-managed SMEs are less likely to experience such conflicts, they are prone to other risks such as sunk cost effects. Owner-managers may—perhaps subconsciously—alter their goals and seek some sort of “superficial satisfaction” while persisting with an underperforming operation. This can lead to counterproductive inertia and may prohibit SMEs from proactively undertaking necessary changes, sowing the seeds of eventual failure.

Overall, our findings are consistent with the arguments of Jensen and Meckling (1976, p. 308) that “there is good reason to believe that the agent will not always act in the best interests of the principal.” However, we also found that owners do not always act in the best interest of the firm; rather, they may prioritize their personal satisfaction, even at the cost of business-related goals.

This finding contributes to prospect theory, according to which people are risk-seeking with respect to losses, and are more likely to continue “playing the game” in the hope of recouping the losses (Tversky & Kahneman, 1979). We found that type of ownership is an important factor in the perception of success, and that owner-mangers may “bend” the business-related factors and adjust their preset goals to remain satisfied with their performance and persist with a particular exporting strategy.

5.1 | Managerial relevance

From a managerial perspective, our findings provide guidelines for managers engaging in EP evaluation. Our findings revealed that EP is path dependent and idiosyncratic to individual firms, and the appropriate approach depends on the strategy of the firm and managers' priorities, as well as the stage of internationalization and perceived psychic distance associated with a market. As such, there is no single measurement model that will be appropriate for all SMEs. Rather than relying solely on “best practices,” managers should assess EP according to their particular requirements, which are informed by their strategic goals. Simply put, when assessing EP, managers should answer this question: “Given our mission, how is our performance going to be defined?” (Magretta & Stone, 2002, p. 129).

5.2 | Limitations and future research

This study raises several issues that go beyond the scope of this research and merit further investigation. First, there is general agreement that internationalization trajectories may be subject to country-specific influences (e.g., de Matteis, Pietrovito, & Pozzolo, 2019; Terjesen, Hessels, & Li, 2016). As Kahiya (2020, p. 1) notes, "Context maps boundary conditions within which theory is generalizable, engenders nuance, and provides a basis for verification or falsification of theory." The scope of the current research is limited by its reliance on exporting SMEs that are located in New Zealand, a geographically remote small country with an open economy. As such, our findings are logically subject to country-specific factors such as competitive intensity in the domestic market, access to a large neighboring market or trade partner, and geographic distance from other countries (Hutzschenreuter & Voll, 2008; Kahiya, 2020; Stoian et al., 2011). Although our findings may not be directly generalizable to SMEs based in all other countries, we are confident that they are instructive, given fundamental similarities associated with internationalizing as an SME, across a wide range of home markets. The generalizability of our findings is also limited due to the qualitative nature of this study. It is our intention that our propositions will form the basis for a larger-scale quantitative study that will go some way toward validating the results and providing insights based on robust statistical analysis.

Second, our data, derived by interviewing respondents regarding past events, are subject to retrospective bias. The fact that our study considers some of the key decisions and events in the case firms' short histories should mitigate this bias, though, as there is evidence that managers often remember these critical events in considerable detail (Cope & Watts, 2000; Safari & Chetty, 2019). However, future studies can further reduce the potential for retrospective bias by interviewing multiple informants within each firm and incorporating various sources of secondary information.

Third, a fruitful avenue for research would be to investigate the impact of direct vs. indirect approaches to exporting on EP assessment. Intermediaries—in both the home and target countries—play important roles in reducing export-related costs (such as search, negotiation, and monitoring) and linking firms with overseas customers, enabling even firms with little international experience to break into foreign markets (Madsen, Moen, & Hammervold, 2012; Peng & York, 2001; Suwannarat, 2016). It is reasonable to assume that the EP assessment practices among firms that are using intermediaries might differ from those that engage with export customers in a hands-on manner. Despite their practical significance to exporters, the literature has paid relatively little attention to the roles played by intermediaries in how managers perceive and assess EP; hence, this is another area that warrants further investigation.

Finally, EP is essentially a dynamic and export stage-dependent phenomenon (Kahiya & Dean, 2016), and a static research design cannot fully grasp its complexities. Accordingly, this research may be extended to explore how the managers' perceptions of success in exporting, and their approach toward EP assessment, may change as their businesses develop over time. Adopting a longitudinal approach should provide further insight into the trajectory of these developments.

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APPENDIX

TABLE A1 Illustrative quotes of the main findings

Firm	Level of analysis	Mode of assessment	Type of performance	Frame of reference	Time frame	Criteria[a]
F1	Country level/firm-level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	Personal fulfillment
	Example of quotes: • We are aware of the importance of extending our outlook, but in reality, we are so much under pressure for short-term survival that we cannot plan for long-term. • We have to run our business and assess our performance on a more day-to-day basis. • From a personal perspective, it is important for me to have an exporting operation. • Any exporting to a new market is going to be a financial loss in early stages until you get that market established and it becomes fruitful for you.					
F2	Country level/firm-level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	Earning customers' trust and loyalty/ learning/new product success
	Example of quotes: • Comparing performance with the competitors is not as straightforward as it sounds. Each of us follow different goals and strategies. You cannot even compare your performance in two markets in the same way! • We need to get the product out to test the markets to see whether the product is going to fly or not. […] When testing a market, losing money is the norm. But losing or even gaining money cannot be a basis for assessing performance. In either case, the scale is small and it does not make a big difference. What matters is to make strong and valuable business relationships, getting to know the market and customers, and getting your name out there. These are what determines your long-term success in the market.					
F3	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals/ competitors' performance	Short and long terms	Earning customers' trust and loyalty/ customers' satisfaction
	Example of quotes: • At the end of the day, every one's metric is performance that means profitable transactions, profitable relationships that are enduring. • Although all the non-financial goals are important but ultimately they need to be turned into money. • You might face a loss in a market for a while and continue your present there because you can see longer term benefits and that is fine. • No matter how good you are in establishing a relationship; at the end of the day, you have to take the relationship to the bank.					
F4	Country level/firm level	Subjective	Financial	Own plans and goals	Short term	
	Example of quotes: • We evaluate our export performance on a month to month annual basis. We just look at our sales in different markets and determine subjectively whether we are making headway and making money. • Each firm needs to evaluate their outcomes and performance individually. The evaluation system that works for us is unlikely to work for another firm, even in the same industry. Simply because we have different strategies, goals, and constraints.					
F5	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	Learning
	Example of quotes: • Before gaining sustainable profit in an export market you need to take time to learn about the market and get the required qualifications under your belt. This is a costly process that is inevitable. • It is very important for us to maintain and grow our share in the niche market that we are in. It is vital for our long-term growth and success.					
F6	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals/domestic market	Short and long terms	
	Example of quotes: • On one level we need to know whether our overall international operation is in good shape or not. This helps us in adjusting our internationalization roadmap, you know, how much to invest on the domestic market and how much on international market. But we also need to have a more detailed understanding of our performance in each market and even in each segment of the market. This is necessary in planning our day-to-day actions in the market. • We are prepared to lose some money in the short run and we see it as an investment, not as a financial loss. What we cannot afford is losing our reputation.					

(Continues)

TABLE A1 (Continued)

Firm	Level of analysis	Mode of assessment	Type of performance	Frame of reference	Time frame	Criteria[a]
F7	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	
	Example of quotes: • We do not have a procedure for evaluating our export performance as yet. And that is mainly because we are so small. Once the business grows we need a monitoring system in place. • Within the first few years of our international experience, all we could think of was to remain in the market and to remain financially viable while promoting our product and brand. It has only been recently, that our international business has started to become profitable.					
F8	Country level/firm level	Subjective	Financial and non-financial	Own plans and goals	Short and long terms	Earning customers' trust and loyalty
	Example of quotes: • We want our business to operate in such a way that we fulfil our long-term goals. Our aim was to build a business that can be sustained over a long period of time, something that is not vulnerable to short-term problems like financial problems. So the goals were pretty much non-financials and something that lasts. • A business cannot survive if it is only driven by making more money. You have to stick to the core values and make value for your customers. You do this and money will come with it. • We were aware that in Asian countries like China or Malaysia, things are much different [from New Zealand], and we would need more time to get to know the market and adjust our business. We were very conservative in these countries and took our time to get things right. But once we settled down and got into the groove, we were on a roll! • At first, we saw the Australian market as a relatively accessible extension to our domestic market that would give us the opportunity to sell more with less effort than in our other markets. We expected a more or less similar reaction to our products there […] we later learned that our further growth [in Australia] depends on more engagement with the local market.					
F9	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	Increasing new customer/brand engagement/ brand awareness
	Example of quotes: • We measured our performance against our plans and key objectives in that year. Whether it is increasing sales, introducing a new product or establishing new connections… We make a new plan every year and we set the goals we aim to achieve that year and at the end of that year we measure our performance against that plan and what we expect from our markets.					
F10	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals/domestic market	Short and long terms	
	Example of quotes: • Our business in Australia has always been profitable, but I can hardly say that I am really satisfied with it, because I think we could do much better. In fact, the opportunity knocked but we did not answer the door and failed to take a big leap. We obviously did not make the most of it … [In China] we are still struggling; we have invested big time but have not been able to make big money yet. But we were prepared for that… Overall, I am happy about our job in China. We sowed the seeds of long term business relationships and I think our investment will pay off soon, and we will start selling through these channels. • I think the financial numbers are very important if used wisely. At the same time, they can give you a very distorted picture of the firm's situation, because a firm is much more than what is in the accounting records. This is why I cannot rely on my accountant for big business decisions!					
F11	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	Brand awareness
	Example of quotes: • In this industry, we face much fierce competition that calls for an aggressive strategy. It is like a race that you either keep up with your opponents or you are out of the game! So we need to be quick in introducing our service to new markets just to be able to remain in the game, even if it means losing some money for a period of time. • The mix of our objectives is different for different markets. They are all present, we approach any market with the same set of objectives but the priority changes a little bit according to the market. The long-term business relations that need to be built over a longer period of time are more important for instance for Asian markets than EU markets.					
F12	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	Learning
	Example of quotes: • More than relying on what financial statements tell me, I rely on my own gut feeling to make important decisions. • Sometimes, the main reason for entering a new market is to connect to a business network, or experience new things and learn from new partners.					

TABLE A1 (Continued)

Firm	Level of analysis	Mode of assessment	Type of performance	Frame of reference	Time frame	Criteria[a]
F13	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	Personal fulfillment
	Example of quotes: • In the United States, we were on a slippery slope, we were constantly losing money, but I did not want to accept that we are doing things wrong… I was subconsciously seeking out signs that prove we are on the right direction and there is a light at the end of the tunnel. • Doing business beyond New Zealand has always been a goal for me. Not only it means more profitability, but also it helps our business domestically. But beyond that, this is how I can contribute to our economy by bringing money, and I am really proud of it.					
F14	Firm level	Subjective	Financial and nonfinancial	Own plans and goals/domestic market	Short and long terms	
	Example of quotes: • We have a procedure for measuring our performance altogether, but we do not have a procedure specific for export markets. • We have accepted that first few years in any market is most likely not going to be very profitable for us. We should be patient and keep going. • Success in exporting is a package. We need to take care of different things simultaneously. You cannot say that I focus on the profitability of my firm and do not care about my sales or position in the market. You may shift your attention from one factor to another depending on your firm's situation, but at the end of the day, you got to be reasonably good in all these things because they are all intertwined; otherwise, your business cannot afford to keep growing. • Our short-term goals in international markets include forming a foothold and stablishing networks and build partnerships, but our long-term objective is to engage in business in a profitable way.					
F15	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	Personal fulfillment/new product success
	Example of quotes: • We understand that sometimes it takes years before you actually get where you want to be. So, we are quite happy to lose small amounts of money in short-term, say 5 years, in order to have a profitable business in long-term, say 10 years. We have been in this situation before. What justifies staying in the market in this situation is that we believed that the long-term gain was more than the short-term pain! • We measure the exact same thing and use the same criteria but we measure it for each country separately. • For two hours a month, we are able to not only look at details of last month and coming months, but also make sure we are looking at it in a 12-, 24-, 36-month horizon. • [when assessing export performance] We simply look at the profitability of each product and channel that we develop. We want each channel to pay for itself ultimately. • Overall, I think our exporting activities are successful because of all the relations that we made over past years and now we are starting to sell products through these channels. However, we are only at the start of this process, it is hard to say where it is going to lead us. However, building these relations in itself is a success.					
F16	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals/domestic market/ competitors' performance	Short and long terms	
	Example of quotes: • Financial and non-financial performance are two sides of the same coin. None of them will last long without the other. • We need to assess our overall performance across all the markets to see if we are heading toward the right direction. But it is the big picture. On a smaller scale, we need to make sure that we are doing things right in each market. Performance in each market and even in each segment of the market is necessary in planning our everyday actions in the market.					
F17	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals/domestic market	Short and long terms	
	Example of quotes: • Our sales are our number one objective [for engaging in exporting], that has always been our number one. Number two would be to build reputation and credibility. • I do not think of credibility and reputation as pure non-financial objectives, they are still kind of financial objectives for us because they are all aiming for growing our sales and profitability. • At the same time that we grow our sales, we need to be careful about our reputation in the market. • We want to build value for our business over time. In other words, with this strategy, we might take less profit of the table and reinvest more into growth. • Our objectives in different markets differ a little bit. For example, in China, we have a more long-term business strategy and we look for building networks and strong business connections. In Japan and Taiwan, the most important objective is sales. So credibility gains more weight in China, whereas it is less critical in, for example, Taiwan.					

(Continues)

TABLE A1 (Continued)

Firm	Level of analysis	Mode of assessment	Type of performance	Frame of reference	Time frame	Criteria[a]
F18	Country level/firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	
	Example of quotes: • You cannot only rely on accounting measures for assessing the firm's outcomes. If not used properly, they can be misleading […] these numbers are only meaningful when they are seen in the unique context of the firm. • It is not all about money, a business is likely to survive in long term with less profit, as long as it has a clear and well-defined strategy, but it cannot survive without good reputation, good connections, and a positive image. • If you are developing a market, you have to start incrementally with small volumes and decide strategically for how long it worth being in that market. It is one of the most difficult things, in my experience, to decide whether to pull out from a market in which you are losing money in, or staying in and continue investing. You may end up investing so heavily in developing a market that you mentally cannot afford walk away from anymore.					
F19	Firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	Earning customers trust
	Example of quotes: • At the stage we are in, we evaluate our progress subjectively rather than trying to look at the figures to see whether they are working or not. • The only reason that we are active in Australia is strategic reasons to gain a foothold in that market. • We think that it is the product that is going to be sold. It is not. It is the relationship that comes first. A relationship that builds on trust.					
F20	Firm level	Subjective	Financial and nonfinancial	Own plans and goals	Short and long terms	
	Example of quotes: • The longer the outlook the more important the financial goals become. • We are looking for having financial sustainability over the long-term. • I look at this financial year for instance and I find that I faced a loss this year, I would not be too concerned about it. Because I would look at all the non-financial thing that we have achieved over the same period of time. Building relationships, for instance, being the most important one. • Financial loss in the short term does not necessarily mean failure. You need to look at how does that compares to the previous period, if the trend is good that is less of a concern anyway. Plus, if our non-financial achievements are good and promising in the same period, we are not going to retreat from that market. If we made a slight loss, but at the same time we have got 10 new partners that can give us pretty good business next year we would be pretty stupid to retreat from that market place. So you have to evaluate the whole thing not just financial performance.					

[a]The most frequently mentioned financial indicators were sales, profit, cash flow, and market share. Also, the most frequently nonfinancial indicators were "building network relationships," "gaining a foothold in the market," "strengthening strategic positioning," and "building a strong reputation." The rest of the indicators that are mentioned less frequently in the interviews are listed in the last column.